Sony Financial Holdings

2015
Annual Report

Sony Financial Holdings Inc.

Profile

Sony Financial Holdings Inc. (SFH) is a financial holding company with three core subsidiaries: Sony Life Insurance Co., Ltd. (Sony Life), Sony Assurance Inc. (Sony Assurance) and Sony Bank Inc. (Sony Bank).

Corporate Vision

The Sony Financial Group seeks to become the most highly trusted financial services group by customers. To this end, the Group will combine many different financial functions (savings, investment, borrowing and protection) to provide high-value-added products and high-quality financial services that meet every customer's financial needs.

Corporate Philosophy

Put the Customer First

We will provide financial products and services that satisfy customers by embracing their individual views, to ensure that we help them lead prosperous lives with financial security.

Give Back to Society

We believe that a special commitment to the public good is demanded of a financial services company. Conscious of this, we will realize our vision by upholding the highest level of ethics and a strong sense of purpose, and thereby give back to society. In addition, we will fulfill our responsibilities as a good corporate citizen and member of society.

Strive for Originality

We will constantly strive to come up with fresh ideas from basic principles as we pursue creativity and innovation, instead of merely following custom and convention.

Foster an Open Corporate Culture

We believe that every employee's contribution is important to develop our ideal of a financial services company. We will thus foster an open corporate culture where employees can freely express their individuality and demonstrate their abilities to the fullest.

- The Sony Financial Group refers to the financial group that comprises Sony Financial Holdings Inc., Sony Life Insurance Co., Ltd., Sony Assurance Inc., Sony Bank Inc., Sony Lifecare Inc., as well as their subsidiaries and affiliates.
- Unless otherwise indicated, figures in this material have been truncated if less than the indicated unit while ratios and percentage changes have been rounded off.

Contents

Please visit SFH's website to view the Financial Data Book.

Detailed financial data for each operating company is presented in a separate publication called the Financial Data Book. The Financial Data Book is available only on SFH's website.

http://www.sonyfh.co.jp/en/financial_info/annualreport

Sony Financial Group's Financial Highlights
(SFH Consolidated and Main Subsidiaries)

Sony Financial Holdings (Consolidated)

Millions of yen

For the years ended March 31,	2010	2011	2012	2013	2014	**2015**
Ordinary revenues (Note 1)	¥ 978,991	¥1,002,201	¥1,078,070	¥1,259,041	¥1,320,456	**¥1,352,325**
Ordinary profit	84,373	76,860	74,625	79,252	76,136	**90,062**
Net income	48,126	41,716	32,812	45,064	40,504	**54,419**
Comprehensive income	71,066	31,963	60,376	96,225	44,794	**90,707**
As of March 31,						
Total assets	6,001,088	6,597,140	7,241,414	8,096,164	8,841,382	**9,545,868**
Net assets	269,439	294,877	347,800	435,444	467,050	**550,672**
Consolidated capital adequacy ratio (Domestic criteria) (Note 2)	12.05%	10.96%	10.14%	9.88%	12.02%	**11.91%**
Consolidated solvency margin ratio (Note 3)	—	—	1,380.3%	1,520.6%	1,563.8%	**1,634.9%**

Sony Life (Non-consolidated)

For the years ended March 31,	2010	2011	2012	2013	2014	**2015**
Ordinary revenues	¥ 881,798	¥ 900,091	¥ 967,400	¥1,142,274	¥1,197,109	**¥1,223,827**
Ordinary profit	80,099	73,176	69,436	74,659	69,205	**79,665**
Net income	46,138	40,220	31,426	42,444	37,063	**42,524**
As of March 31,						
Total assets	4,286,540	4,723,332	5,222,846	5,952,750	6,624,903	**7,301,350**
Net assets	191,312	215,387	264,836	342,333	369,230	**432,526**
Non-consolidated solvency margin ratio (Note 4)	2,637.3%	2,900.1%	1,980.4%	2,281.8%	2,358.7%	**2,555.0%**

Sony Assurance

For the years ended March 31,	2010	2011	2012	2013	2014	**2015**
Ordinary revenues	¥ 68,174	¥ 74,166	¥ 80,096	¥ 84,711	¥ 89,864	**¥ 93,022**
Ordinary profit	2,565	2,144	2,859	2,371	3,003	**4,209**
Net income	1,604	1,297	1,299	1,454	1,664	**2,233**
As of March 31,						
Total assets	98,340	109,382	118,612	127,421	142,714	**157,919**
Net assets	15,482	16,772	18,009	19,934	21,418	**24,741**
Non-consolidated solvency margin ratio (Note 4)	1,018.5%	981.4%	557.8%	504.2%	527.6%	**629.6%**

Sony Bank (Non-consolidated)

For the years ended March 31,	2010	2011	2012	2013	2014	**2015**
Ordinary revenues (Note 1)	¥ 30,500	¥ 29,521	¥ 30,075	¥ 31,351	¥ 33,994	**¥ 35,714**
Ordinary profit	2,930	3,377	4,033	4,282	5,845	**7,298**
Net income	1,646	2,054	2,340	879	3,585	**4,634**
As of March 31,						
Total assets	1,612,186	1,761,830	1,890,503	2,005,081	2,056,704	**2,062,525**
Net assets	58,989	59,971	62,796	67,811	72,774	**77,064**
Non-consolidated capital adequacy ratio (Domestic criteria) (Note 5)	12.09%	10.84%	11.58%	11.98%	11.72%	**10.65%**

Notes: 1. The banking business revised its method of recording ordinary revenues and ordinary expenses on hedge transactions in the year ended March 31, 2015. Ordinary revenues for the year ended March 31, 2014 (actual), have been retroactively adjusted to reflect the change. Consequently, consolidated ordinary revenues have been revised from ¥1,319,766 million to ¥1,320,456 million, and Sony Bank's non-consolidated ordinary revenues were revised from ¥33,303 million to ¥33,994 million. As adjustments to ordinary revenues were accompanied by adjustments to ordinary expenses in the same amounts, on a consolidated basis for Sony Financial Holdings and on a non-consolidated basis for Sony Bank, ordinary profit and net income were unaffected.

2. SFH has calculated the consolidated capital adequacy ratio (domestic criteria) based on formulas stipulated in FSA Notification No. 20 (2006), which is based on Article 52-25 of the Banking Act of Japan. Calculations do not include Sony Life, Sony Life Insurance (Philippines), Sony Assurance, AEGON Sony Life Insurance, or SA Reinsurance within the scope of consolidation until March 31, 2012. From March 31, 2013, the scope of consolidation for calculation purposes does not include Sony Life, Sony Assurance, AEGON Sony Life Insurance or SA Reinsurance. SFH applied FSA Notification No. 79 (2008) until March 31, 2012, and applied FSA Notification No. 56 (2012) on March 31, 2013. From March 31, 2014, SFH applied FSA Notification No. 6 (2013) and FSA Notification No. 7 (2014).

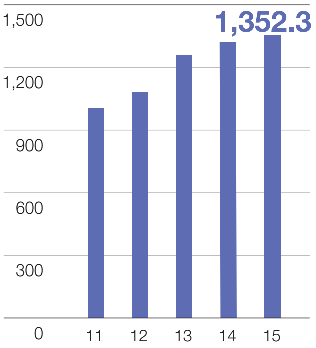
3. SFH has calculated the consolidated solvency margin ratio based on the stipulations of Article 210, Paragraph 11-3 and Paragraph 11-4 of the Ordinance of Enforcement of the Insurance Business Act of Japan, and FSA Notification No. 23 (2011).

4. Sony Life and Sony Assurance have applied the previous standards to the calculation of the non-consolidated solvency margin ratio until March 31, 2011, while applying the current standards from March 31, 2012.

5. Sony Bank has calculated the non-consolidated capital adequacy ratio (domestic criteria) based on FSA Notification No. 19 (2006), which establishes standards based on Article 14-2 of the Banking Act of Japan for determining the capital adequacy of a bank in light of the assets held by the bank. Until March 31, 2012, Sony Bank applied FSA Notification No. 79 (2008), and applied FSA Notification No. 56 (2012) on March 31, 2013. From March 31, 2014, Sony Bank applied FSA Notification No. 6 (2013) and FSA Notification No. 7 (2014).

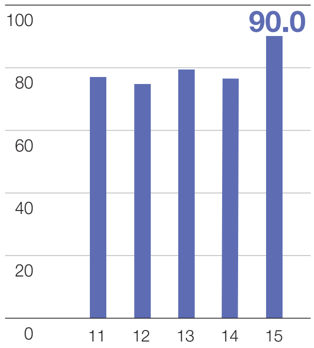
Sony Financial Holdings (Consolidated)

Ordinary revenues



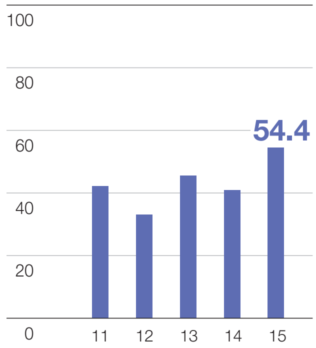
For the years ended March 31,

Ordinary profit



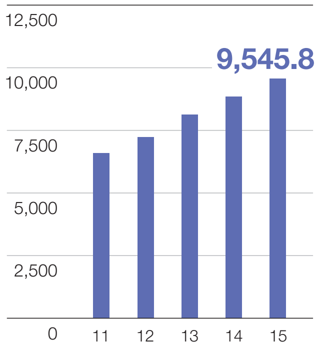
For the years ended March 31,

Net income



For the years ended March 31,

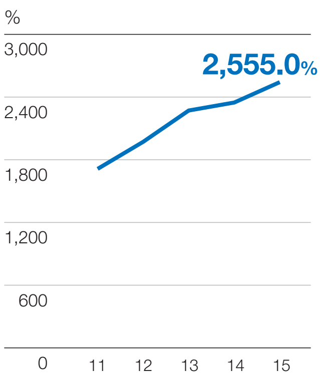
Total assets



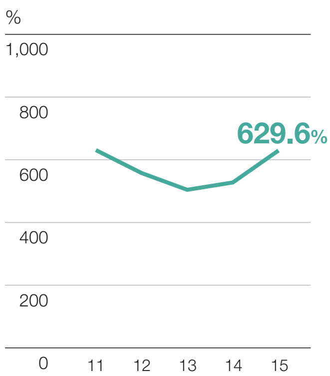
As of March 31,

Financial Soundness Indicators
(As of March 31,)

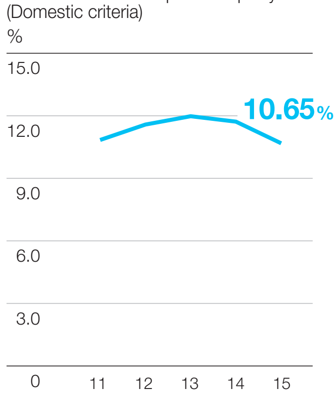
Sony Life
Non-consolidated solvency margin ratio



Sony Assurance
Non-consolidated solvency margin ratio



Sony Bank
Non-consolidated capital adequacy ratio (Domestic criteria)



Notes: 1. In the graphs above, Sony Life and Sony Assurance have calculated non-consolidated solvency margin ratios based on the current standards, which were applied from March 31, 2012.

2. Sony Bank has calculated its non-consolidated capital adequacy ratio (domestic criteria) based on FSA Notification No. 19 (2006), which establishes standards based on Article 14-2 of the Banking Act of Japan for determining the capital adequacy of a bank in light of the assets held by the bank. Until March 31, 2012, Sony Bank applied FSA Notification No. 79 (2008), and on March 31, 2013, Sony Bank applied FSA Notification No. 56 (2012). From March 31, 2014, Sony Bank applies FSA Notification No. 6 (2013) and FSA Notification No. 7 (2014).

Credit Ratings (As of July 1, 2015)

Credit Rating Agencies	Sony Financial Holdings	Sony Life	Sony Bank
Rating and Investment Information (R&I)	Issuer rating AA–	Insurance claims paying ability AA	
Japan Credit Rating Agency (JCR)		Ability to pay insurance claims AA	Long-term issuer rating AA–
Standard & Poor's (S&P)		Insurer financial strength rating AA–	Counterparty credit rating Long-term A+ Short-term A-1
Moody's Investors Service (Moody's)		Insurance financial strength rating A1	

Sony Financial Group's Growth Trajectory

Sony Financial Holdings

Apr. 2004 Sony Financial Holdings Inc. is established as a financial holding company

Oct. 2007 SFH is listed on the First Section of Tokyo Stock Exchange

Apr. 2011 SFH conducts stock split and adopts share unit system

Nov. 2013 Sony Financial Group enters the nursing care business, acquiring Senior Enterprise Corporation as a wholly owned subsidiary of SFH

Apr. 2014 Sony Lifecare Inc. is established as a holding company to oversee nursing care business

Oct. Senior Enterprise Corporation changes its name to Lifecare Design Inc.

Sony Life

1970s

Aug. 1979 Sony Prudential Life Insurance Co., Ltd., is established (currently Sony Life)

1980s

Apr. 1981 Sony Prudential Life Insurance commences operations with launch of Lifeplanner system

Jul. 1987 Sony Prudential Life Insurance agrees to terminate joint venture

1990s

Apr. 1991 Changes its name to Sony Life Insurance Co., Ltd.

Aug. 1998 Sony Life establishes Sony Life Insurance (Philippines) Corporation as a wholly owned subsidiary in the Philippines (in December 2012, the business was transferred to Paramount Life & General Insurance Corporation)

2000s

May 2001 Sony Life's Lifeplanner sales employees begin selling automobile insurance of Sony Assurance

Dec. 2004 Sony Life's Lifeplanner sales employees begin to accept mortgage loan applications as agents of Sony Bank

Aug. 2007 Sony Life establishes AEGON Sony Life Planning Co., Ltd. (currently AEGON Sony Life Insurance)

Dec. Sony Life was approved to conduct banking agency business on behalf of Sony Bank

Oct. 2008 Sony Life opens a representative office in Beijing (closed in July 2014)

Jul. 2009 Sony Life opens a representative office in Taipei

Aug. AEGON Sony Life Planning changes its name to AEGON Sony Life Insurance Co., Ltd.

Oct. Sony Life establishes SA Reinsurance Ltd. in British Bermuda as a reinsurance company specializing in variable annuities

Dec. AEGON Sony Life Insurance commences operations. Sony Life's Lifeplanner sales employees begin selling individual variable annuities

2010s

Sony Life

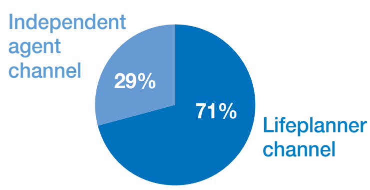
Main Products

- Death-protection insurance
- Medical insurance, educational endowment insurance, living benefit insurance and others

Main Sales Channels

- **Lifeplanner sales employee**
  Supports customers through life's stages with highly developed consultation skills
- **Partner (independent agent)**
  Responds to diverse customer needs concerning insurance purchasing styles

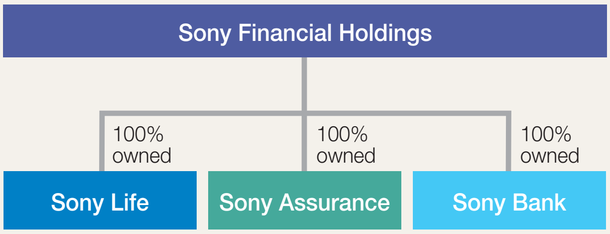
Channel Composition



**Annualized insurance premiums from new policies in fiscal 2014 (managerial accounting basis)*

Group Structure

(Main Subsidiaries)



Sony Life, Sony Assurance and Sony Bank—the core companies of the Sony Financial Group—have steadily expanded business volume through highly original business models.

Sony Assurance

Jun. 1998 **Sony Insurance Planning Co., Ltd., is established (currently Sony Assurance)**

Sep. 1999 Sony Insurance Planning changes its name to Sony Assurance Inc.

Sony Assurance launches sales of automobile insurance (over the Internet in September and by telephone in October)

Jun. 2002 Sony Assurance launches sales of SURE medical and cancer insurance

Oct. 2004 Sony Assurance debuts long-term fire insurance to customers taking out mortgage loans from Sony Bank

Jan. 2009 Sony Assurance offers pet insurance through alliance with Anicom Insurance, Inc.

Sony Assurance official website

2000s

2010s

Sony Bank

Apr. 2001 **Sony Bank Inc. (Sony Bank) is established**

Jun. Sony Bank commences operations. Launches MONEYKit service site. Starts handling deposits, investment trusts and card loans

Sep. Sony Bank begins handling foreign-currency deposits

Mar. 2002 Sony Bank begins handling mortgage loans

Jun. 2007 Sony Bank establishes Sony Bank Securities Inc. (Sony Bank Securities) as a wholly owned subsidiary. (In August 2012, all shares of Sony Bank Securities are transferred to Monex Group, Inc.)

Sony Bank's MONEYKit service site

Jun. 2010 Sony Bank opens its first over-the-counter branch—Housing Loan Plaza

Jul. 2011 Sony Bank acquires 57% equity interest in SmartLink Network, Inc.

Apr. 2015 SmartLink Network, Inc. changes its name to Sony Payment Services Inc.

Sony Assurance

Main Products

- Automobile insurance (risk-segmented)
- SURE medical and cancer insurance

Main Sales Channels

- Internet
- Telephone

Sony Bank

Main Products

- Deposits (yen, foreign currencies)
- Mortgage loans
- Investment trusts, foreign-currency margin trading and other services

Main Sales Channels

- Internet

A Message from the President

We marked new record highs in our consolidated performance for fiscal 2014. With future stability and sustainable profit growth in mind, we enhanced returns to shareholders.

Let me take this opportunity to express my deepest appreciation to all stakeholders for your support and interest in the Sony Financial Group.

Sony Life, Sony Assurance and Sony Bank—the core businesses of the Group—have taken a forward-looking perspective, looking ahead ten years, and worked to build a platform that would drive the Group rapidly toward a new stage of growth. As a result, the Group delivered excellent results on a consolidated basis, with higher ordinary revenues and higher ordinary profit in all three core businesses. In fact, ordinary revenues, ordinary profit and net income, on a consolidated basis, hit new heights in fiscal 2014 ended March 31, 2015.

Business volume also expanded steadily in all businesses. In the life insurance business, new policy amount increased significantly, pushing new policy amount to a record high while policy amount in force steadily charted an upward path. In the non-life insurance business, net premiums written increased, mainly in its mainstay automobile insurance. In the banking business, the loan balance expanded, largely from mortgage loans.

Furthermore, in the nursing care business, a market we newly entered in November 2013, we are promoting the opening and operation of nursing care homes by a subsidiary and business expansion through alliances with other companies as part of business development.

Going forward, we will continue to build on this steady expansion of business volume and maintain a robust revenue base that is impervious to changes in the operating environment.

We are also determined to further enhance returns to shareholders. It has already been our practice to increase dividends in line with consolidated revenue growth, but from fiscal 2015, ending March 31, 2016, we have revised upward our medium-term target for the dividend payout ratio to between 40% and 50%. We anticipate an annual dividend of ¥55 per share for fiscal 2015, up ¥15 over fiscal 2014, which will mark four straight years of dividend increases.

We will lift customer satisfaction yet higher and broaden our customer base by continuing in our quest to provide high-quality services, a strong point shared throughout the Group. With these efforts, we will advance the sustainable growth of the Sony Financial Group. In addition, we have always emphasized corporate governance, and with enforcement of the Corporate Governance Code for listed companies in Japan, effective from June 2015, we will strive even harder to enhance corporate value and contribute to the advancement of society as a whole.

July 2015

Katsumi Ihara

Katsumi Ihara
President, Representative Director

Vision and Strategies

This section focuses on the growth of the Sony Financial Group and the medium-term management plan.

The Sony Financial Group's core companies, Sony Life, Sony Assurance and Sony Bank, have continued to deliver steady growth by leveraging their respective strengths.

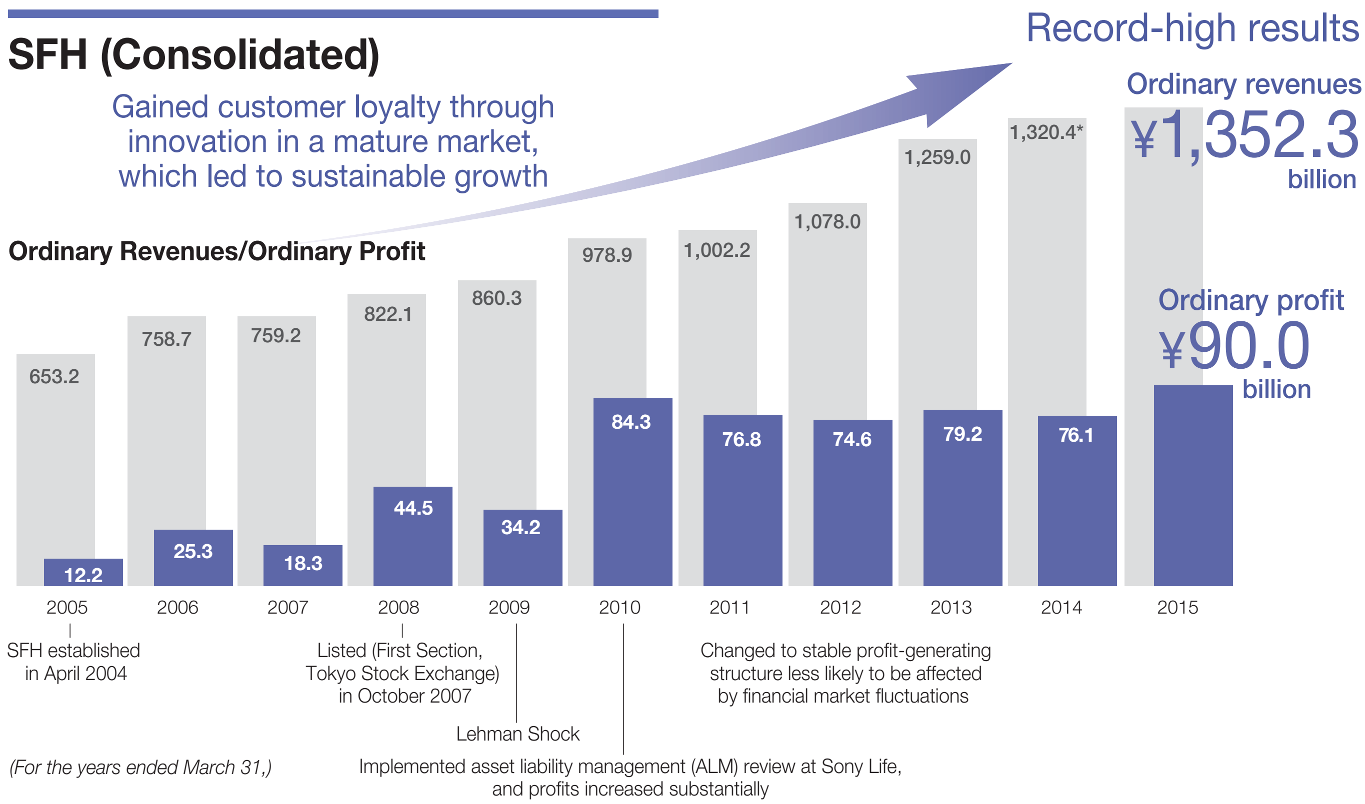
In this section, we highlight the growth we have achieved so far and the strengths of each Group company, which support the growth, along with medium-term strategies and targets.

Growth of the Sony Financial Group

SFH (Consolidated)

Gained customer loyalty through innovation in a mature market, which led to sustainable growth

Ordinary Revenues/Ordinary Profit

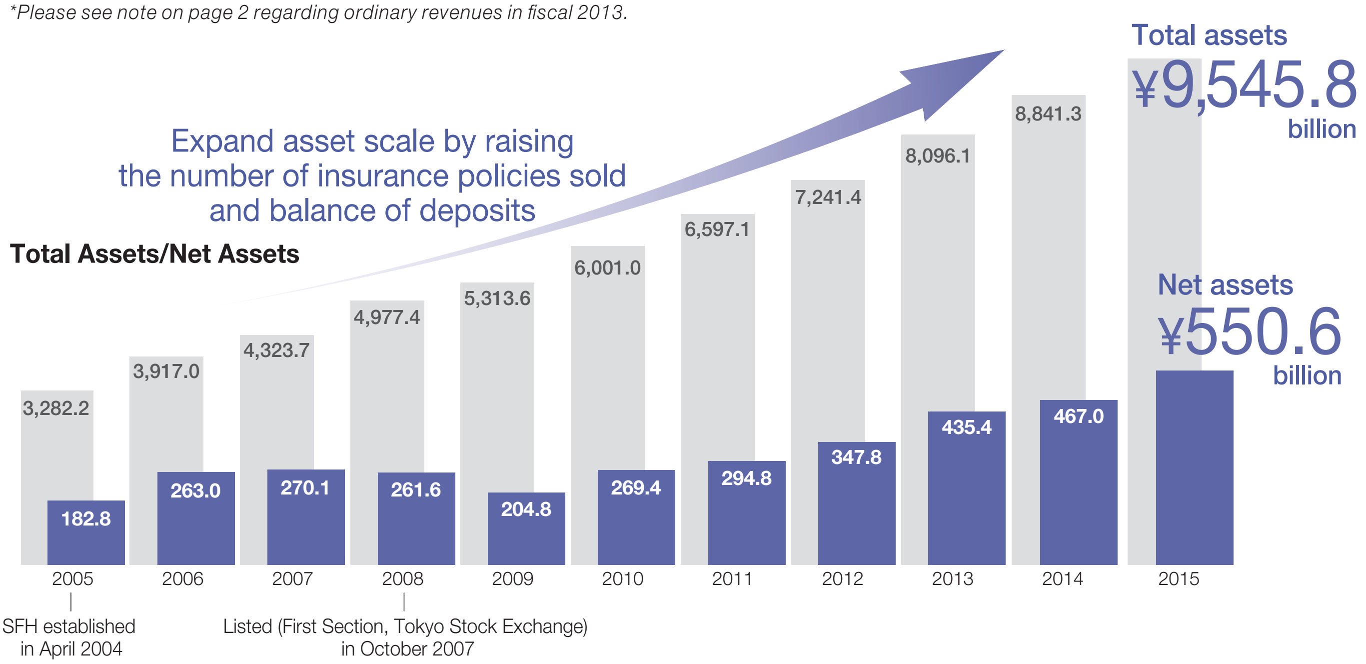


(For the years ended March 31,)

**Please see note on page 2 regarding ordinary revenues in fiscal 2013.*

Expand asset scale by raising the number of insurance policies sold and balance of deposits

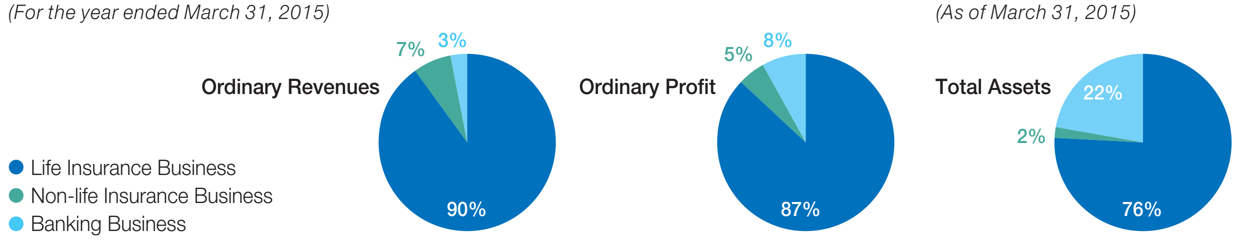
Total Assets/Net Assets



(As of March 31,)

Composition by Business Segment

(For the year ended March 31, 2015) *(As of March 31, 2015)*



Strengths of Group Companies

Life Insurance Business

- **Business expansion through tailor-made insurance design and sales approach and after-sales consultations based on life planning**

Characteristics of the Lifeplanner sales employee

- Excellent staff hired in line with stringent standards of recruitment. Skills developed through systemized training programs.
- Highly productive life insurance professionals.
- Full-commission payment structure rooted in entrepreneurial spirit.

Tailor-made approach to insurance design and sales

- An approach applied since Sony Life's earliest days in business that delivers practical insurance products perfectly suited to the needs of each customer through consultations based on life planning.

After-sales consultation

- Fine-tuned after-sales services that encompass a review of policy content paralleling changes in customers' lifestyles and value perceptions.

A consultation led by a Lifeplanner sales employee

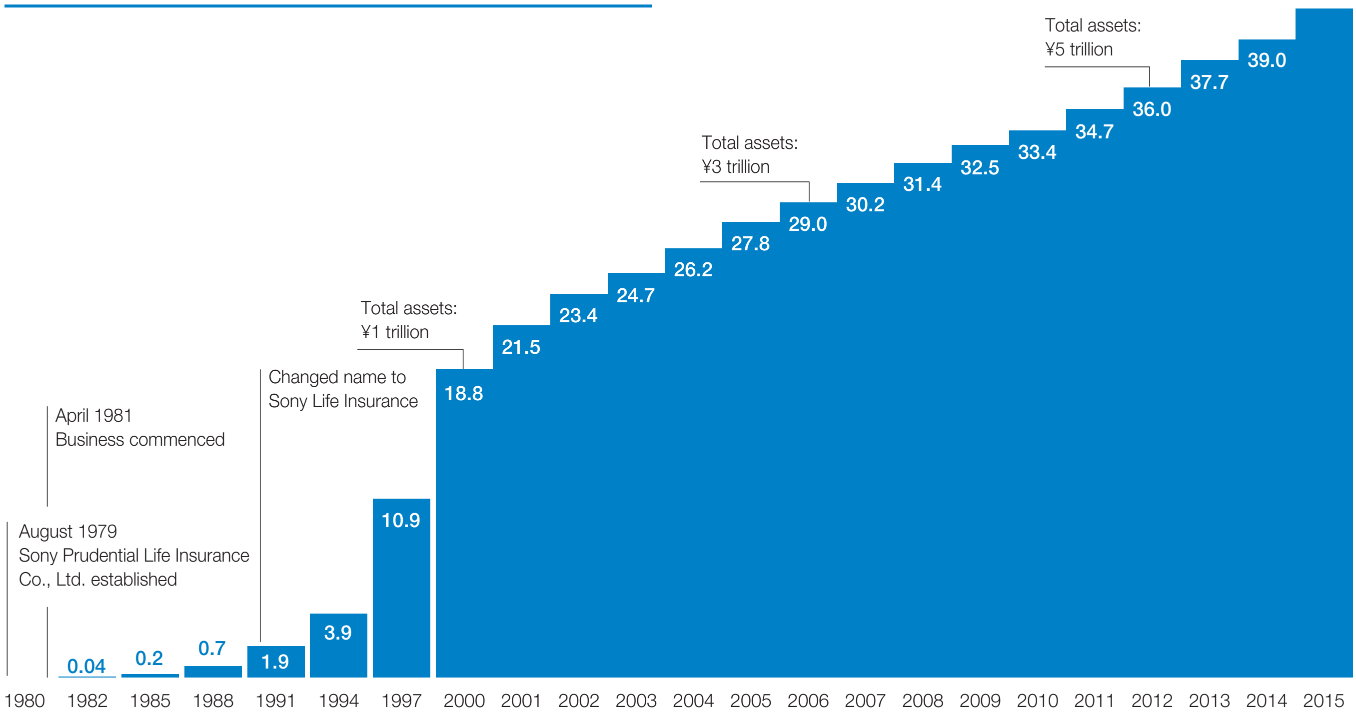
- **Product composition centered on high-profit death-protection insurance**

Sony Life provides death-protection insurance policies to many customers with children, especially young parents in their 30s who are most in need of coverage for "just in case," and offers peace of mind with regard to household finances in the event of the policyholder's death.

- **ALM and asset management to match insurance liability characteristics to reduce interest rate risk pertaining to liabilities of insurance policies with long-term maturities**

- **Financial soundness to meet future capital requirements**

Sony Life *(Non-consolidated)*
Policy Amount in Force*
2015 ¥40.9 trillion



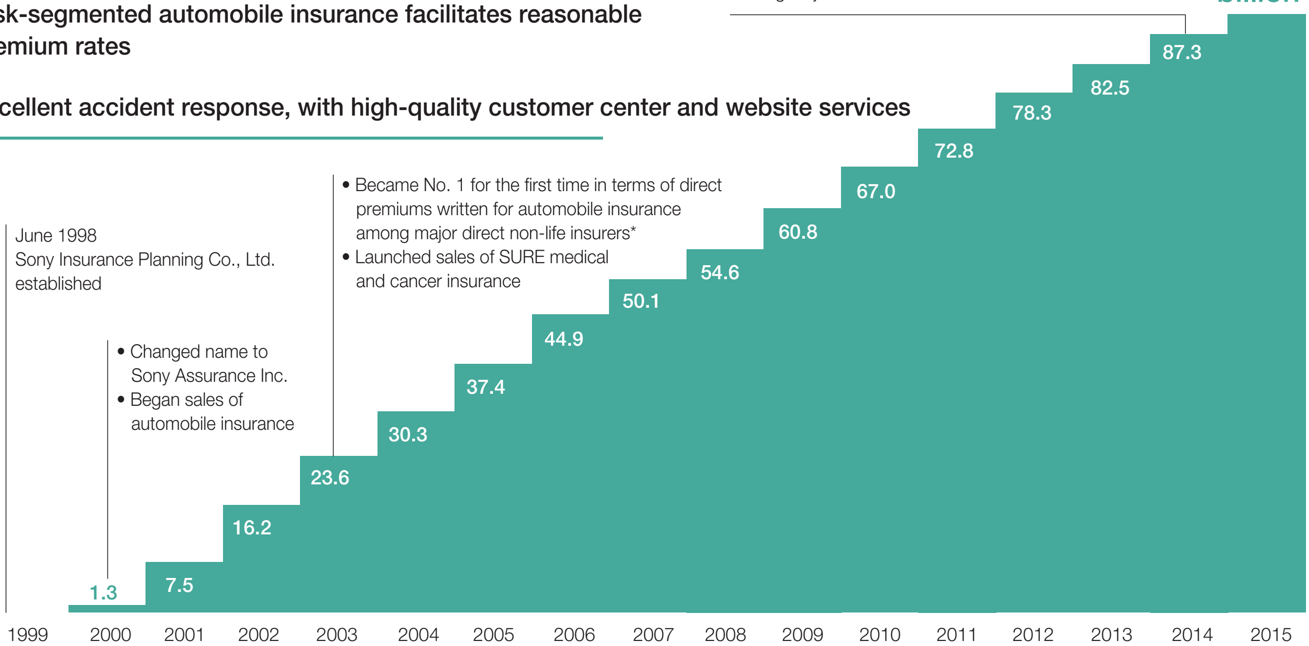
(As of March 31,)

*Total amount of individual life insurance and individual annuities

Non-life Insurance Business

- High profitability, a unique aspect of a direct non-life insurer
- Risk-segmented automobile insurance facilitates reasonable premium rates
- Excellent accident response, with high-quality customer center and website services

Sony Assurance
Direct Premiums Written
2015 ¥90.4 billion



*Here, "major direct non-life insurers" refers to non-life insurers selling automobile insurance primarily via direct sales channels as of March 31, 2003.
**Here, "major direct non-life insurers" refers to non-life insurers selling automobile insurance primarily via direct sales channels as of March 31, 2014.

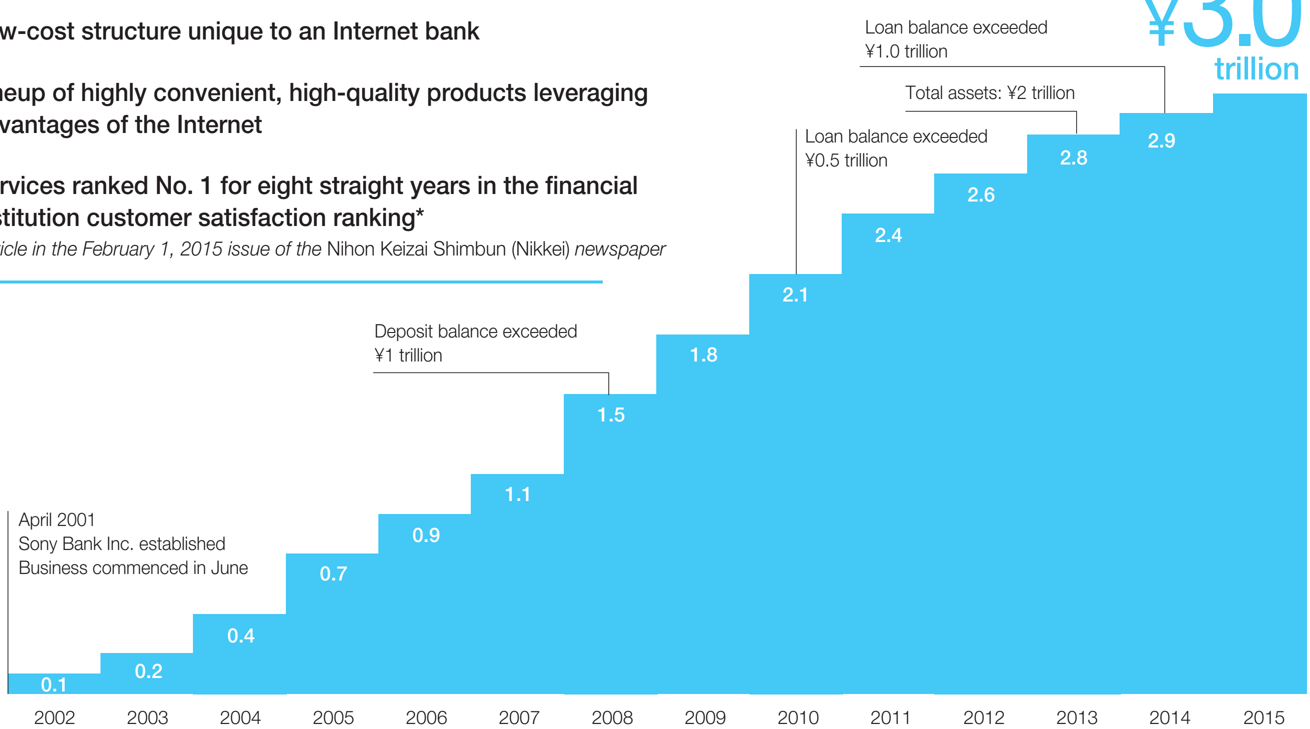
(For the years ended March 31,)

Banking Business

- Low-cost structure unique to an Internet bank
- Lineup of highly convenient, high-quality products leveraging advantages of the Internet
- Services ranked No. 1 for eight straight years in the financial institution customer satisfaction ranking*

**Article in the February 1, 2015 issue of the* Nihon Keizai Shimbun (Nikkei) *newspaper*

Sony Bank *(Non-consolidated)*
Retail Balance**
2015 ¥3.0 trillion



(As of March 31,)

***Sum of deposits, investment trusts and personal loan balances*

Sony Financial Group
Medium-term Business Plan
FY2015–FY2017

SFH president, Katsumi Ihara, and the presidents of Group companies describe the overall strengths of the Group and the medium-term strategies and targets.

Sony Financial Group
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Katsumi Ihara
Sony Financial Holdings
President, Representative Director

Sony Life
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Tomoo Hagimoto
Sony Life
President, Representative Director

Extend industry-leading new policy acquisition capability and increase policy amount in force. Strengthen marketing capabilities for death-protection insurance.

Sony Assurance
Page 20

Atsuo Niwa
Sony Assurance
President, Representative Director

Maintain growth in automobile insurance business and expand business in other types of policies.

Sony Bank
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Yutaka Ito
Sony Bank
President, Representative Director

Refine strengths in foreign currency and mortgage loan businesses. Maintain profitability even in a low interest rate environment.

Sony Financial Group's Key Messages

Operating performance reached record levels in fiscal 2014

- The life insurance, non-life insurance and banking businesses each posted increased revenues and profits, leading to **consolidated ordinary profit of ¥90.0 billion**
- Sony Life's new policy amount **made a V-shaped recovery to establish a new record**

The new medium-term management plan up to fiscal 2017 aims to further strengthen competitiveness of each Group company and ensure sustained and steady profit growth amid an ultralow-interest-rate environment

Medium-term Management Targets

	Results for FY2014		Targets for FY2017
Consolidated ordinary revenues	¥1,352.3 billion	→	¥1,500 billion
Consolidated ordinary profit	¥90.0 billion	→	¥100 billion
Consolidated net income	¥54.4 billion	→	¥65 billion*

Under targets for fiscal 2017, consolidated net income is equivalent to the amount of "profit attributable to owners of the parent" of the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the related revision.

Further augment returns to shareholders

- **Increase the medium-term target dividend payout ratio to 40%–50%**, enhancing returns to shareholders
- Expect to raise dividends per share by ¥15 (from ¥40 per share to ¥55) in fiscal 2015**, for **the fourth consecutive year of increases** since fiscal 2012

***Dividend for fiscal 2015 is a forecast.*

Cautionary note regarding medium-term business plan:
We apply a process of annual, rolling updates to the Sony Financial Group's three-year medium-term business plan to ensure measures remain relevant to prevailing business conditions. Consequently, the management strategies and management targets stated in these materials are not absolute and may be revised each year with the new fiscal year as the starting point.

Sony Financial Group

Katsumi Ihara
Sony Financial Holdings
President, Representative Director

Fiscal 2014 Consolidated Business Performance

On a consolidated basis, ordinary revenues, ordinary profit and net income all hit new heights.

Ordinary revenues rose 2.4% over the previous fiscal year, to ¥1,352.3 billion, reflecting growth in all three business segments, namely, life insurance, non-life insurance and banking. Ordinary profit was also higher across the board, climbing 18.3% year on year, to ¥90.0 billion. Net income jumped 34.4%, to ¥54.4 billion, due to higher ordinary profit as well as a change in the calculation policy applied at Sony Life Insurance on the reserve for price fluctuations.

This achievement is due to a favorable shift in business volume in all three core businesses. Especially in the life insurance business, policy amount in force grew significantly throughout the fiscal year. This was thanks to renewed efforts to reinforce marketing capabilities for death-protection insurance, an area of noteworthy expertise. Successful measures to enhance recruitment processes, including actively promoting Lifeplanner sales employees to office managers who then take on the role of recruiting new Lifeplanner sales employees, ultimately expanded the number of registered Lifeplanner sales employees. In the non-life insurance business, profitability remained high thanks to the sustained efforts to lower the loss ratio on automobile insurance, which had been a priority in the previous fiscal year. In the banking business, a certain level of profitability was maintained with the growing balance of mortgage loans despite the negative influence of low interest rates.

Fiscal 2015 Outlook

We expect a stable and sustainable upward trend in business volume across all core operations—life insurance, non-life insurance and banking.

On a consolidated basis, ordinary revenues are expected to decrease, mainly in the life insurance business, because we do not anticipate an improvement in investment income backed by favorable market conditions, as was present in fiscal 2014. Ordinary profit is expected to decrease because we anticipate an increase in spending for medium-term business growth activities, an increase in provision of policy reserves for minimum guarantees for variable life insurance in the life insurance business, and lower gains on sale of securities in the life insurance and banking businesses. Meanwhile, net income attributable to the parent company is expected to increase due to the reduction in the corporate tax rate.

Sony Financial Group's Medium-term Corporate Strategy (Fiscal 2015 to Fiscal 2017)

Looking toward fiscal 2017, the Sony Financial Group will focus on measures to improve the quality of services provided by Group companies—the Group's biggest strength—and to raise customer satisfaction to an even higher level. Another objective is to realize stable and sustainable profit growth fueled by expanded business volume on a robust revenue base that is impervious to changes in the operating environment. We will also take a vigorous approach to enhancing shareholder returns. We have always maintained a practice of sharing improved revenues from Group operations with shareholders through dividend increases, and from fiscal 2015, we intend to raise the medium-term target and boost the payout ratio, which would deliver a fourth consecutive year of higher dividends.

SFH's Capital Strategy and Dividend Policy

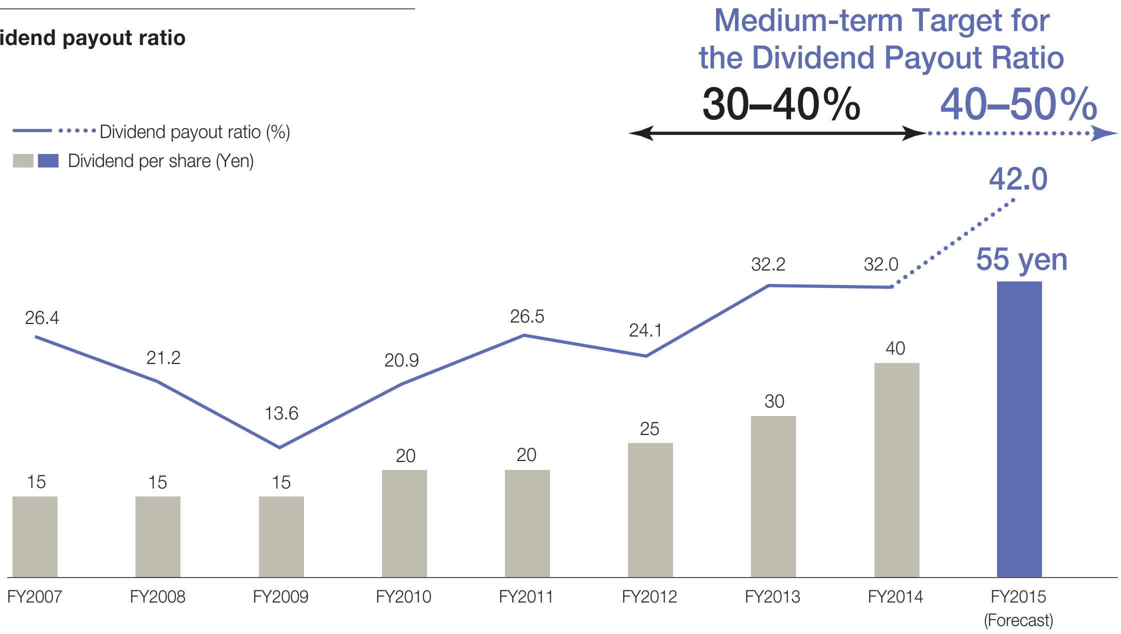
SFH aims for steady increases in dividends in line with earnings growth over the medium to long term with sufficient internal reserves to ensure financial soundness of Group companies and to invest in growth fields.

Based on this policy, management determines specific dividend amounts for each fiscal year by taking into account a comprehensive range of factors, including capital adequacy—that is, sufficient capital in relation to the risks carried by Group companies—as well as investment opportunities, business forecasts and legal and regulatory developments. The year-end dividend for fiscal 2014 was therefore set at ¥40 per share, up ¥10 for a third consecutive year of increases from fiscal 2012.

For fiscal 2015, ending March 31, 2016, we will enhance returns to shareholders still further, with an upward revision of the medium-term target for the payout ratio, which had hovered between 30% and 40%, to between 40% and 50% of consolidated net income. We anticipate an annual dividend of ¥55 per share for fiscal 2015, up ¥15 over fiscal 2014.

Going forward, we remain committed to enhancing returns to shareholders, based on stable earnings growth and robust financial soundness.

Dividend per share/Dividend payout ratio



Adjusted ROE

Consolidated return on equity (ROE) on a fiscal accounting basis has generally been maintained above 10%.

Because Group companies are engaged in different businesses, such as insurance and banking, an adjusted ROE is calculated for each company based on adjusted profit and adjusted capital, to accurately pinpoint corporate value and capital efficiency.

Sony Life's adjusted ROE (ROEV) decreased in fiscal 2014, paralleling low interest rates. In fiscal 2017, core ROEV, accumulated through the value of new business and contributions from the value of existing business, is expected to be about 6%, assuming low interest rates prevail. For Sony Assurance, adjusted ROE should be around 14% by fiscal 2017, and for Sony Bank, about 6%, on a par with fiscal 2014.

Each company will strive toward enhanced capital efficiency.

	FY2012	FY2013	FY2014	FY2017 (Target)
Sony Life ROEV	3.3%	14.9%	9.6%	→ Approx. 6%
Core ROEV	5.2%	6.0%	5.0%	
Sony Assurance adjusted ROE	(0.1%)	9.8%	14.2%	→ Approx. 14%
Sony Bank (consolidated) ROE	4.3%	4.8%	6.0%	→ Approx. 6%
Consolidated adjusted ROE	3.3%	14.2%	9.5%	→ Approx. 6%

*Formulas for calculating adjusted ROE are presented on page 25.

Sony Life

Tomoo Hagimoto
Sony Life
President, Representative Director

Medium-term Business Strategies and Targets

Promote sustainable growth of sales channels	• Expand the scope of the Lifeplanner channel and improve productivity • Increase business in the independent agent channel in response to changes in the operating environment
Entrench competitive advantages, take on growth domains	• Continue to concentrate on the death-protection business, an area of competitive advantage • Undertake new initiatives targeting the corporate and senior markets
Ensure stable growth in corporate value	• Maintain a high level of soundness and enhance corporate value • Steadily increase profits over the medium to long term

Medium-term Targets for Fiscal 2017	Results for FY2014		Targets for FY2017
Policy amount in force	¥40.9 trillion	CAGR of approx. 4% →	Over ¥45 trillion
Number of Lifeplanner sales employees[1]	4,329	An increase of approx. 300 persons →	Over 4,600
MCEV[2]	¥1.3 trillion	ROEV of approx. 6% →	¥1.5 trillion
Ordinary profit	¥78.3 billion	CAGR of approx. 6% with FY2015 forecast (¥74.1 billion) as starting point →	¥84.0 billion

[1] The figure includes the number of contracted Lifeplanner sales employees and those rehired on a fixed-term contract basis after retirement.
[2] Sony Life's assumptions about the market environment as of the middle of May, 2015 for the fiscal 2017 target.
Note: Because ordinary profit is expected to decrease in fiscal 2015, as mentioned earlier, CAGR is presented with fiscal 2015 as the starting point.

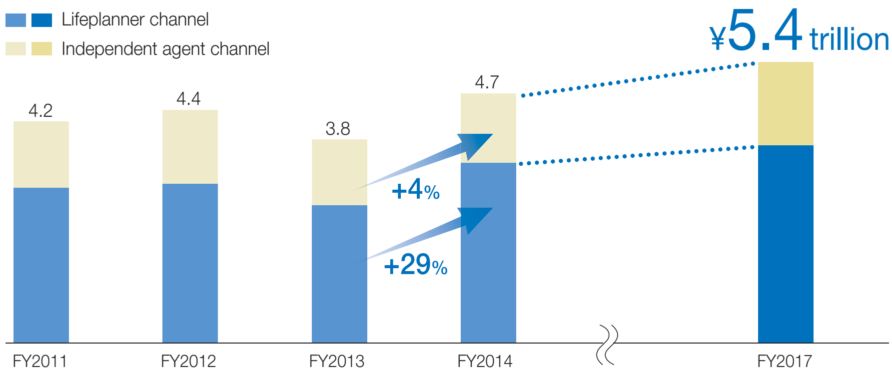
Further Expansion of New Policy Amount

Death-protection insurance, a core product field for Sony Life, is typically hard to sell because death protection is more of a latent need product compared with saving-type products and third-sector products where there is an obvious need. In selling death-protection insurance, Sony Life provides each customer with the required coverage, determined through consultations after discussing customers' life plans. Consequently, new policy amount is the sum of this required coverage, and is a key performance indicator that shows sales ability.

In fiscal 2013, a pullback in demand following the rush of purchasing in fiscal 2012 prior to the revision of premium rates, resulted in a temporary slump. But in fiscal 2014, with a renewed emphasis on sales of death-protection insurance, Sony Life generated a new policy amount exceeding ¥4.7 trillion, which marked an all-time high.

Looking toward fiscal 2017, the goal is to build a structure that will generate ¥5.4 trillion in new policy acquisitions and to maintain annualized growth of 4% for policy amount in force through the strategies described below.

Trends of Sony Life's new policy amount
(Individual life insurance and annuities)
(Trillions of yen)



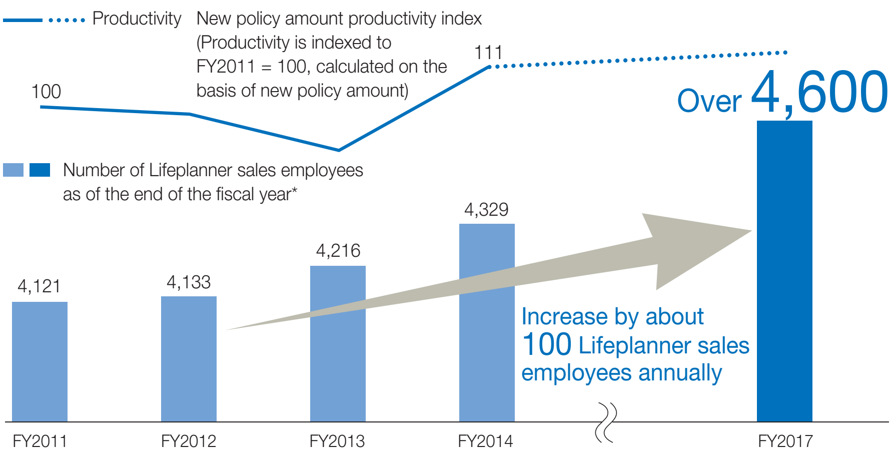
Note: Numbers rounded down to the nearest hundred billion yen

Strategy 1: Lifeplanner channel—Aiming to hire more than 500 Lifeplanner sales employees annually

The Lifeplanner channel is Sony Life's core sales channel, with sales through this access point accounting for about 70% of all new policies and steadily increasing.

Sony Life has actively promoted Lifeplanner sales employees to office managers, who are then responsible for recruiting. Through this approach, the company has been recruiting more than 400 new Lifeplanner sales employees each year. As a result, the number of registered Lifeplanner sales employees at the end of March 2015 stood at 4,329, up more than 100 over the previous fiscal year. In fiscal 2015, the company will change the compensation system for office managers with the aim of establishing an environment in which Lifeplanner sales employees with excellent results can pursue careers as office managers. For fiscal 2017, Sony Life had set its target at more than 500 office managers and recruiting more than 500 Lifeplanner sales employees, which will expand the number of Lifeplanner sales employees to more than 4,600 by the end of March 2018.

Number of Lifeplanner sales employees and productivity

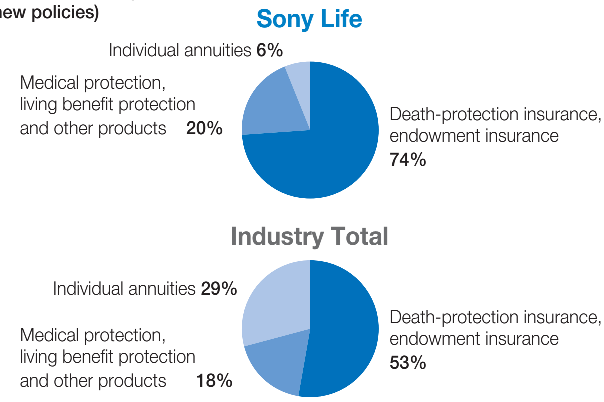


**The figure as of the end of the fiscal year includes the number of contracted Lifeplanner sales employees and those rehired on a fixed-term contract basis after retirement.*

qualification and evaluation systems for Lifeplanner sales employees and provide training on death-protection insurance for all managers. In addition, we aim to enhance our system for training Partners as well as reinforce their consulting capabilities.

Share of business by product category

(Based on annualized premiums from new policies)



Source: Official disclosure documents of individual life insurers

Enhance training systems	Revise training program for new Lifeplanner sales employees, offer more sophisticated training program for all managers
Reinforce product capabilities	Release new products that expand the scope of coverage of family income insurance
Revise qualification and evaluation systems	Introduce death-protection sales capabilities into the criteria for qualifying and evaluating Lifeplanner sales employees and managers

Strategy 2: Independent agent channel—Compliance with the regulatory revision and growth through stronger alliances with independent agencies

Insurance sales through independent agencies (Partners) account for about 30% of all new policies at Sony Life, making this an important sales channel, second only to the Lifeplanner sales channel.

In fiscal 2014, the Financial Services Agency required independent agencies to ensure appropriate solicitation and sales processes, prompting them to review the management of individual agents. Going forward, revision of the Insurance Business Act of Japan will require agencies to improve solicitation systems, to better understand customers' intentions and to provide the necessary information to customers, and agencies will have to respond accordingly. For Sony Life's Partners, who already have been providing protection based on consultations, this movement heralds a business opportunity to distinguish themselves from other insurance agencies. We will develop and reinforce alliances with different types of agencies, including agencies with close regional ties and store-front agencies that expand their networks over a wide area, and we will raise demand by addressing diversifying needs, with the aim of further growth.

Strategy 3: Product focus—Providing thorough consultations on death protection

In fiscal 2014, Sony Life was keen to rekindle growth in new policy amount by strengthening its training program for new Lifeplanner sales employees and also by introducing a new type of family income insurance, the core of death-protection insurance. These efforts were successful, propelling new policy amount to an all-time high. Going forward, we will revise our qualification and evaluation systems for Lifeplanner sales employees and provide training on death-protection insurance for all managers.

Strategy 4: Initiatives in growth domains

Sony Life is strengthening its approach also in areas that offer growth potential. As of July 2015, about one-quarter of all Lifeplanner sales employees have handled corporate insurance. Going forward, we seek to expand consulting activities to corporate clients in a manner similar to individual clients, through developing and expanding support tools for sales and by reinforcing our training program. We will also target higher sales to corporate clients by improving back-office systems and developing new products specifically for corporate clients.

We anticipate the growth of concerns in Japan over inheritance issues, paralleling a revision to the Inheritance Tax Act of Japan in January 2015. In response, in addition to our existing initiatives, mainly annuities and nursing care insurance, we plan to cultivate the senior client market by expanding the product lineup geared toward senior clients.

Stable Growth in Corporate Value

MCEV Growth and Financial Soundness Based on Economic Value

Sony Life's basic policy on risk preference is to ensure sufficient solvency on an economic value basis and realize stable and sustainable growth in corporate value by increasing policies in force and actively underwriting insurance risk. In asset investment, we prioritize investment in assets matched to the characteristics of insurance liabilities to lessen the interest rate risk associated with insurance liabilities over the long term. In this way, the company strives to grow corporate value derived from the life insurance business.

Sony Life's market consistent embedded value (MCEV) at the end of March 2015 rose to ¥1,322.9 billion, up ¥101.6 billion from a year earlier, reflecting such factors as acquisition of new policies, lower inflation rates and a drop in corporate taxes and other factors. The value of existing business decreased significantly due to a decline in interest rates, but a large portion of this was offset by the benefit of ALM (namely an increase in the adjusted net worth).

Sony Life sees the value of new business and the contributions from existing business as the base for EV growth obtained through insurance underwriting, and defines this value as a core return on embedded value (core ROEV). We are forecasting a rate of about 6% by March 31, 2018. ROEV decreases because it is susceptible to interest rate fluctuations, but core ROEV moves at a stable pace. We also expect MCEV to hit ¥1,500 billion by March 31, 2018, reflecting expanded volume from the acquisition of new policies.

Risk amount on an economic value basis reached ¥745.5 billion, after tax, as of March 31, 2015, and the economic solvency ratio (ESR)—MCEV divided by risk amount—came to 177%. We would like to continue to maintain ESR above a benchmark value of 150%.

Going forward, we will ensure sufficient solvency on an economic value basis, and realize stable and sustainable growth in corporate value.

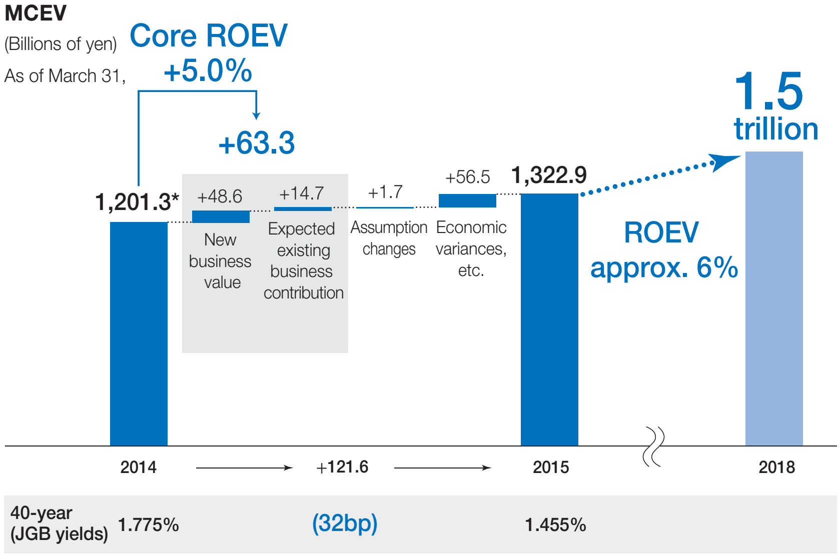
Profit from an Accounting Perspective

Fiscal 2015 ordinary profit, based on statutory accounting, is likely to decline year on year. The anticipated decrease is due to such factors as higher spending to support growth activities, an increase in provision of policy reserves for minimum guarantees for variable life insurance, compared with the previous fiscal year when market conditions were more favorable, and an anticipated decline in capital gains. Higher spending to support growth activities is primarily investment designed to reinforce sales and customer services. More to the point, this is investment to strengthen the sales structure for death-protection insurance and to develop tools to attract corporate clients' interest. We will push forward with such measures and still aim for average annual growth of about 6% in ordinary profit, culminating in ¥84.0 billion in fiscal 2017.

MCEV

(Billions of yen)

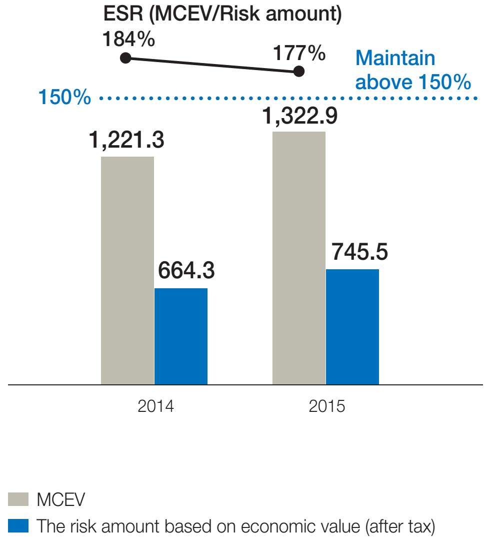
As of March 31,



Dividends paid to shareholders of ¥20.0 billion in fiscal 2014 are not included.

Financial soundness based on economic value

(Billions of yen)



Please refer to Review of Operations: Life Insurance Business on page 28.

Sony Assurance

Atsuo Niwa
Sony Assurance
President, Representative Director

Medium-term Business Strategies and Targets

Ensure sound profitability	• Substantial recovery in profitability, due to an improved loss ratio on automobile insurance • Ensure sound profitability through detailed ongoing measures to improve the loss ratio
Maintain growth and achieve stable profits over the long term	• Firmly maintain its leading position in the market for direct automobile insurance • Reinforce the stable earnings base by expanding business in categories other than automobile insurance
Maximize customer satisfaction, the engine of growth	• Concentrate on further enhancing customer retention capabilities • Augment customer satisfaction by optimizing services through individual customer contact points

Medium-term Targets for Fiscal 2017	Results for FY2014		Targets for FY2017
Direct premiums written	¥90.4 billion	CAGR +6% →	¥108.0 billion
Net expense ratio	26.7%		
E.I. loss ratio[1]	64.3%	Sum of two ratios Decrease →	Sum of two ratios 90% range
Sum of two ratios	91.0%		
Ordinary profit	¥4.2 billion	CAGR +7% →	¥5.0 billion
Adjusted ordinary profit[2]	¥7.1 billion	CAGR +6% →	¥8.5 billion
Adjusted ROE[3]	14.2%	Flat →	Approx. 14%

[1] *For all types of policies and including loss adjustment expenses.*
[2] *Adjusted ordinary profit = Ordinary profit + Provision for catastrophe reserve.*
[3] *The formula for adjusted ROE is shown on page 25.*

At Sony Assurance, the loss ratio on automobile insurance, which had trended upward until fiscal 2012, turned downward in fiscal 2013 and continued to decline through fiscal 2014, thanks to various measures, including a revision of insurance premiums, and also the effect of a newly introduced bonus-malus system (non-fleet driver rating system). In addition, the more favorable loss ratio led to a significant improvement in profitability, culminating in record-high profit.

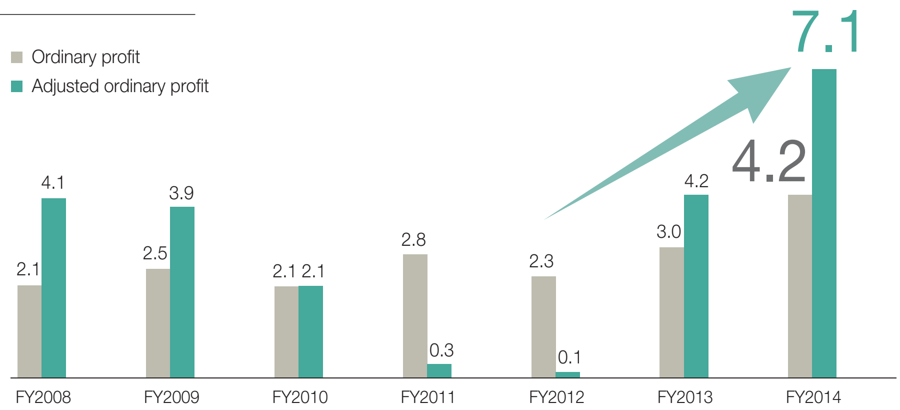
On the product front, in February 2015 we began selling a new type of automobile insurance that reflects such driving behavior as acceleration and deceleration, which has a high correlation with accident risk, in the insurance premiums.

Going forward, we will continue to develop automobile insurance products matched to diversifying customer needs through the pursuit of products with progressive, rational and unique qualities.

We are also working to elicit greater customer loyalty, by raising the quality of accident response services and policy processing services as well as by offering highly convenient web/smartphone services. Through these measures, we will maintain growth in the core field of automobile insurance and cement our leading position in the direct automobile insurance market.

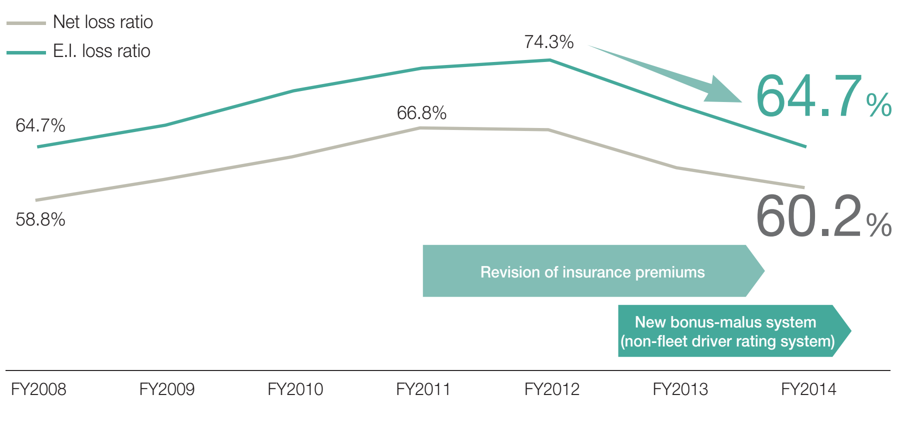
Another objective is to develop a presence in domains other than automobile insurance, such as medical insurance, and expand business operations. This will support our aim of an annual growth of 6% and direct premiums written exceeding ¥100 billion by fiscal 2017. We aim to attain steady profitability by holding the sum of the net expense ratio and the earned/incurred (E.I.) loss ratio within the 90% range.

Trend of ordinary profit and adjusted ordinary profit
(Billions of yen)



Note: Adjusted ordinary profit = Ordinary profit + Provision for catastrophe reserve

Trend of loss ratio (Automobile insurance)



Note: Net loss ratio = (Net losses paid + Loss adjustment expenses) / Net premiums written
Earned/incurred loss ratio = (Net losses paid + Provision for reserve for outstanding losses + Loss adjustment expenses) / Earned premiums

Please refer to Review of Operations: Non-life Insurance Business on page 30.

Sony Bank

Yutaka Ito
Sony Bank
President, Representative Director

Medium-term Business Strategies and Targets

Increase business volume leveraged by customer evaluation	• Maintain high third-party customer satisfaction ratings • Strengthen product and service promotions
Strengthen strategic products	• Further enhance “Foreign Currency World” • Expand the individual loan business centering on mortgage loans
Ensure stable profit-generating capacity	• Maintain and improve profit-generating capacity through more sophisticated operation of ALM • Secure a certain level of interest spread

Medium-term Targets for Fiscal 2017	Results for FY2014		Targets for FY2017
Retail balance (Sum of deposits, investment trusts and personal loan balance)	¥3.0 trillion	CAGR over 6% →	Over ¥3.6 trillion
Gross operating profit (Sony Bank consolidated)	¥24.9 billion	(Change from FY2015 forecast of ¥23.9 billion) CAGR approx. 5% →	¥26.3 billion
Operating profit (Sony Bank consolidated)	¥7.3 billion	(Change from FY2015 forecast of ¥6.4 billion) CAGR over 10% →	¥7.8 billion
ROE (Sony Bank consolidated)	6.0%	Maintaining 6% level →	Approx. 6.0%

Note: As for the CAGR targets of gross operating profit and operating profit, forecast amounts from fiscal 2015 to fiscal 2017 are used for the calculation considering gains on the sale of bonds recorded in fiscal 2014.

Sony Bank has a stellar reputation among customers, substantiated by many industry honors, including the distinction of being No. 1 in the annual Nikkei customer satisfaction ranking of financial institutions* for eight consecutive years. This high level of customer satisfaction drives our business forward, and we will use it to solidify further growth with an emphasis on mortgage loans and foreign currency, while continuing the sustainable expansion of business operations. By the end of March 2018, we expect to have ¥2 trillion in deposits, ¥1.3 trillion in mortgage loans, and a retail balance in excess of ¥3.6 trillion.

In the foreign currency business, Sony Bank managed to capture a high share—7%—of the domestic market, as of March 31, 2015, despite heightened competition for foreign currency deposits in the banking industry. Going forward, we expect our foreign currency deposit balance to grow owing to the further strengthening of the asset management function, namely the "savings and investment" facility of our "Foreign Currency World," as well as its "usage" facility, which has a multi-currency feature for foreign currency settlements and provides access to our website-based service for transferring foreign currency overseas.

In loans to individuals, we saw the mortgage loan balance steadily rise. Going forward, we will continue to build stronger ties with Sony Life's Lifeplanner sales employees and with real estate agents to expand the mortgage loan business, while enriching associated services, such as extended coverage for group credit life insurance. In addition, we aim to move beyond the mortgage loan business and will resume card loans. As a medium- to long-term objective, we will pursue planning on products for seniors, and strive to diversify product characteristics to meet customers' needs for funding throughout their lives.

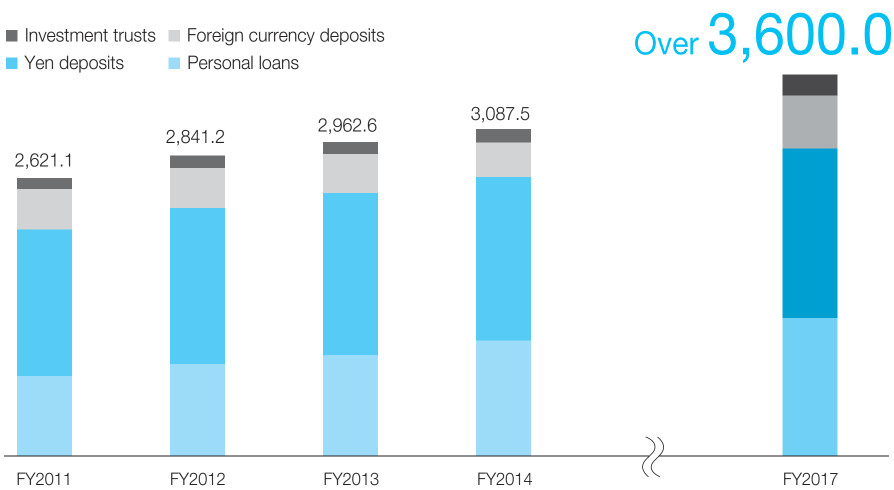
We will also strive to reinforce profitability. Through the development of the strategic products outlined above, Sony Bank will continue to expand business operations and ensure stable interest spread through appropriate ALM. We will increase core gross operating profit by focusing on net interest income, the principal profit source of any bank, and aim for gross operating profit of ¥26.3 billion by fiscal 2017.

*Nihon Keizai Shimbun (Nikkei) *newspaper article, dated February 1, 2015*

Retail balance
(Sum of deposits, investment trusts, and personal loan balance)

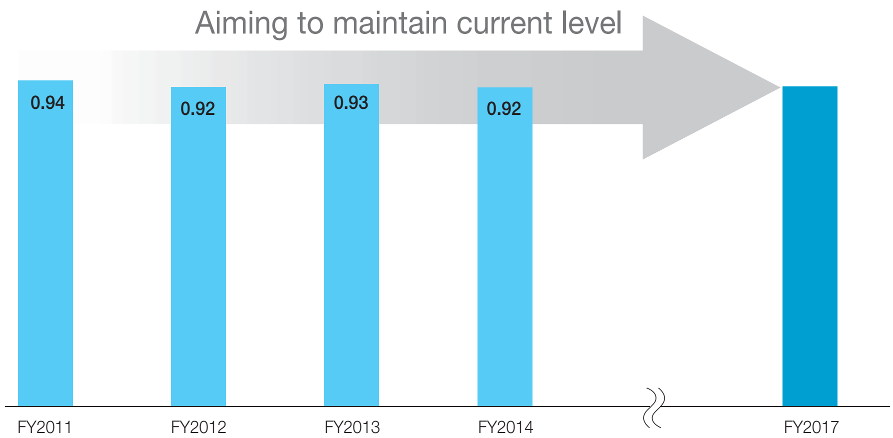
(Billions of yen)

At the end of the fiscal year



Trend of interest spread

(%)



Please refer to Review of Operations: Banking Business on page 32.

Nursing Care Business

Initiatives Toward Growth in the Nursing Care Business

Sony Lifecare, established in April 2014 as a holding company to oversee the Group's operations in the nursing care business, is promoting business development in the operation and establishment of nursing care homes by a subsidiary, and through alliances with other companies.

The first nursing care home constructed since Sony Lifecare was established will open in spring 2016 in Tokyo, in the area of Soshigaya, Setagaya-ku. Based on the services provided at an already existing home, we will plan and pursue new nursing care services that are higher in quality and originality.

In strategic alliances with other companies, in May 2015, Sony Lifecare took an equity stake in Yuuai Holdings (YHD), which is involved in the operation of nursing care homes and other businesses through companies under its umbrella. YHD has 29 facilities with about 1,400 rooms, and Sony Lifecare will draw on its investment to absorb management expertise that will help expand its bases while establishing more of a presence in the market. As of July 2015, Sony Lifecare holds 14.5% of issued shares in YHD and has agreed to accept YHD-issued convertible bonds totaling ¥1.5 billion. Any future increase in equity stake will be determined later, based on the status of collaboration and progress made in the development of a business structure.

Trends in Japan's Nursing Care Market

Accelerated aging of Japan's society

The number of seniors over 65 years of age in Japan hit an all-time high of 33.17 million, as of December 1, 2014, comprising 26.1% of the demographic spectrum, also a record high. It is assumed the number of youth aged 14 or under will continue to decrease, with no sign of an end to the trend toward fewer children and more seniors in the population.

As of October 31, 2014, the number of people who have been certified as needing care, including those requiring support, had grown to 6,002,000, topping the six million mark. This is about 2.75 times higher than when the long-term care insurance system debuted, indicating that the need for nursing care continues to grow as the population ages.

Revised compensation in 2015

Amid concerns about expanding market scale and a growing financial burden, the Japanese government revised the nursing care compensation scheme in April 2015. Compensation under the public long-term care insurance system is the amount that municipalities (cities, towns and villages)—the insurers—pay providers of nursing care services, from premiums. Such compensation is reviewed every three years. The most recent review is intended to realize by 2025 an Integrated Community Care System that maintains the continuity of daily life for seniors in the community they have been living in and in the way they wish, to strengthen measures to address the needs of seniors in the third-stage care level or higher, of the five-stage scale of care need and of seniors with senile dementia, to support the stable retention of care workers, and to standardize service evaluations. In the end, overall nursing care compensation will be cut by 2.27%. Amounts take into account such factors as commodity prices, wage levels and the operating conditions of nursing care providers, but this is the first downward revision in nine years. These are challenging times for providers as they are called upon to ensure streamlined and efficient operations while providing higher-quality services.

In 2018, three years from now, nursing care compensation will be revised, along with medical service fees. The content of revisions is expected to indicate the government's approach to social security with respect to nursing care and medical treatment, including cuts in nursing care and medical expenses.

Sources: "Population Estimates," Statistics Bureau, Ministry of Internal Affairs and Communications; "Report on the Status of Long-term Care Insurance Services (Provisional)" and materials prepared by councils and committees of the Ministry of Health, Labour and Welfare

Calculation of Adjusted ROE

Sony Life's adjusted ROE is calculated as follows:

$$\frac{\text{The amount of increase in market consistent embedded value (MCEV)* during the fiscal year plus dividends paid}}{\text{MCEV* as of the beginning of the fiscal year less dividends paid plus MCEV* as of the end of the fiscal year, divided by two}}$$

Sony Assurance's adjusted ROE is calculated as follows:

$$\frac{\begin{array}{c}\text{Net income (loss) plus provision amount for catastrophe reserve}\\ \text{and its provision amount for reserve for price fluctuations, in each case after taxes}\end{array}}{\begin{array}{c}\text{The average amount of net assets plus the sum of catastrophe reserve}\\ \text{and its reserve for price fluctuations during the fiscal year, in each case after taxes}\end{array}}$$

Sony Bank's ROE is calculated as follows:

$$\frac{\text{Net income (loss)}}{\text{The average amount of net assets during the fiscal year}}$$

Consolidated adjusted ROE for fiscal 2014 is calculated as follows:

Consolidated adjusted ROE = Consolidated adjusted profit divided by consolidated adjusted capital

$$\frac{\begin{array}{c}\text{Sony Life: The amount of increase in MCEV* during the fiscal year plus dividends paid}\\ \text{+ Sony Assurance: Net income (loss) plus provision amount for catastrophe reserve and its provision}\\ \text{amount for reserve for price fluctuations, in each case after taxes + Sony Bank: Net income (loss)}\end{array}}{\begin{array}{c}\text{Sony Life: MCEV* as of the beginning of the fiscal year less dividends paid plus MCEV* as of the end of the fiscal year, divided by two}\\ \text{+ Sony Assurance: The average amount of net assets plus the sum of catastrophe reserve}\\ \text{and its reserve for price fluctuations during the fiscal year, in each case after taxes}\\ \text{+ Sony Bank: The average amount of net assets during the fiscal year}\end{array}}$$

Sony Life discloses Market Consistent Embedded Value ("MCEV"). Sony Life's MCEV is calculated in compliance with the European Insurance CFO Forum Market Consistent Embedded Value Principles© ("MCEV Principles"), the international standard in disclosing MCEV published by the CFO Forum comprising CFOs from major insurance companies in Europe.*

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Vision and Strategies

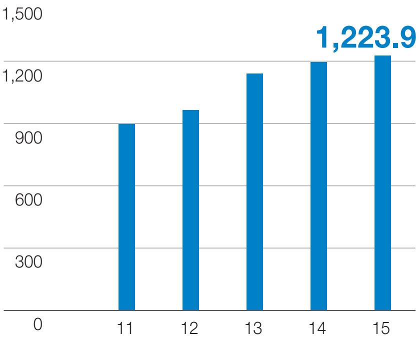
Review of Operations

Segment Performance Highlights

Life Insurance Business ▶ Details: p28

Ordinary revenues

Billions of yen

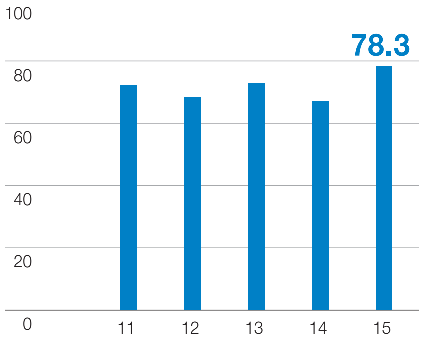


Ordinary revenues	900.3	967.5	1,142.3	1,196.6	1,223.9

For the years ended March 31,

Ordinary profit

Billions of yen

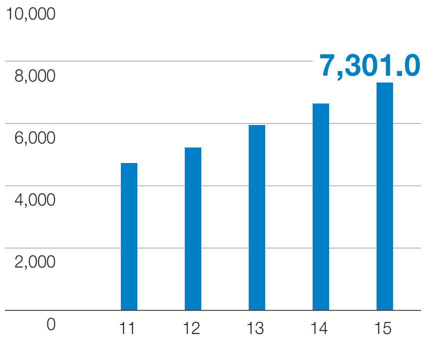


Ordinary profit	72.1	68.1	72.7	67.2	78.3

For the years ended March 31,

Total assets

Billions of yen



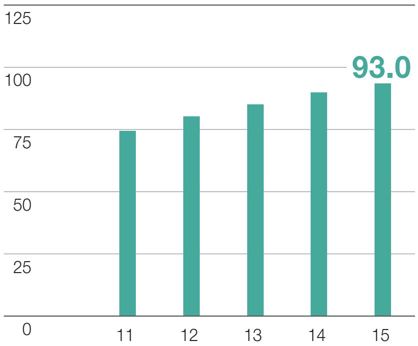
Total assets	4,721.6	5,219.9	5,948.1	6,619.3	7,301.0

As of March 31,

Non-life Insurance Business ▶ Details: p30

Ordinary revenues

Billions of yen

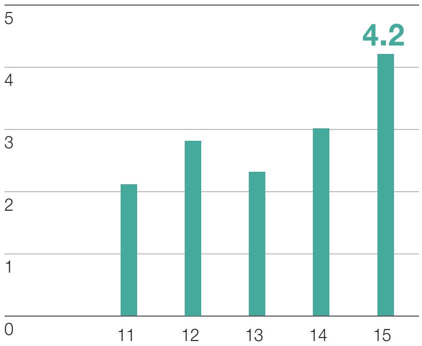


Ordinary revenues	74.1	80.0	84.7	89.8	93.0

For the years ended March 31,

Ordinary profit

Billions of yen

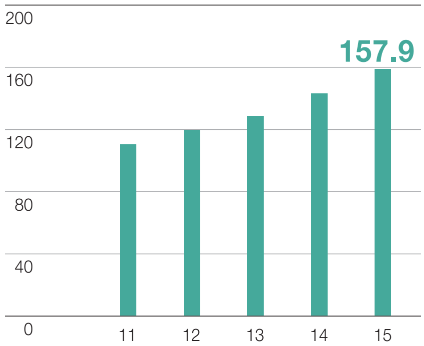


Ordinary profit	2.1	2.8	2.3	3.0	4.2

For the years ended March 31,

Total assets

Billions of yen



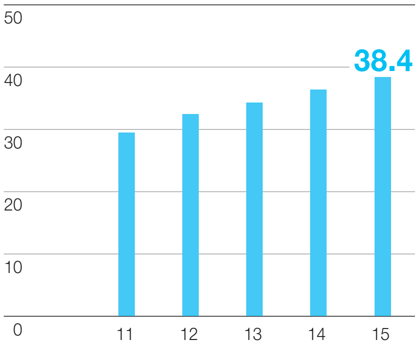
Total assets	109.3	118.6	127.4	142.7	157.9

As of March 31,

Banking Business ▶ Details: p32

Ordinary revenues

Billions of yen

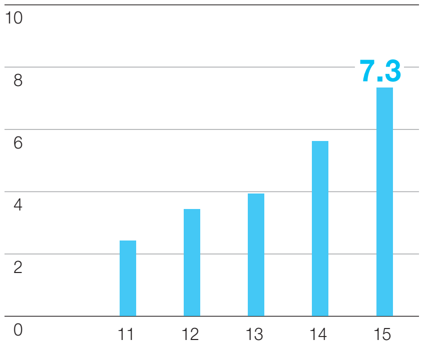


Ordinary revenues	29.5	32.5	34.3	36.4*	38.4

For the years ended March 31,

Ordinary profit

Billions of yen

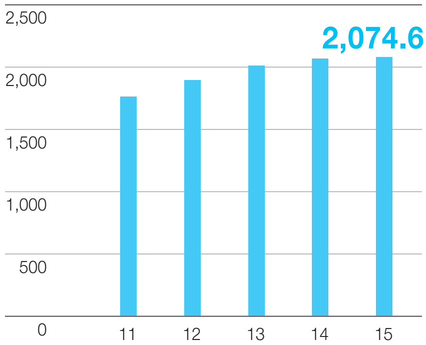


Ordinary profit	2.4	3.4	3.9	5.6	7.3

For the years ended March 31,

Total assets

Billions of yen



Total assets	1,761.0	1,897.6	2,012.6	2,068.7	2,074.6

As of March 31,

Note: Segment figures are before consolidation adjustments.

**The banking business revised its method of recording ordinary revenues and ordinary expenses on hedge transactions in the fiscal year ended March 31, 2015. Ordinary revenues for the fiscal year ended March 31, 2014 (actual), have been retroactively adjusted to reflect the change. Consequently, ordinary revenues in the banking business for the fiscal year ended March 31, 2014 (actual), have been revised from ¥35.7 billion to ¥36.4 billion. As adjustments to ordinary revenues were accompanied by adjustments in the same amount to ordinary expenses, ordinary profit and net income were unaffected.*

Life Insurance Business

Business Environment

Japan's life insurance market is the second largest in the world on an insurance premium income basis, with a global share of about 14%. Although the domestic life insurance market has been contracting since the late 1990s, industrywide policy amount in force for individual life insurance stood at ¥857 trillion* as of March 31, 2015, indicating that the life insurance market remains enormous. A steadily falling birthrate and aging population have precipitated a shift in protection needs, from death-protection insurance to individual annuities and third sector insurance, such as medical and nursing care insurance. Nevertheless, death-protection insurance policies accounted for more than 80% of individual life insurance policy amount in force, at ¥733 trillion*, as of March 31, 2015.

Looking at trends in sales of insurance products in Japan, some life insurance companies halted sales of specified savings-type products in fiscal 2014, a reflection of sinking long-term interest rates. In fiscal 2015, a new calculation method for the policy reserve rate directed mainly at lump-sum savings-type products will be applied to policies concluded on or after April 1, 2015. Since this will make it easier for life insurance companies to change premiums on savings-type products to match fluctuating interest rates, the product strategies of each company will attract market attention.

On the sales front, sales channels are becoming increasingly diversified, with a notable expansion in the sale of products over-the-counter (OTC) at banks and a wider variety of sales agency shop formats. Meanwhile, a heightened need for customer protection prompted the prohibition of commission sales by life insurance solicitors who are not employees of insurance companies in March 2015. Furthermore, in May 2016, regulations will be introduced that impose a duty to provide sufficient information on products, to understand customer's intent and to prepare the relevant systems. Agencies are thus working to respond accordingly.

*Source: "Summary of Life Insurance Business," The Life Insurance Association of Japan's website

Sony Life's Responses

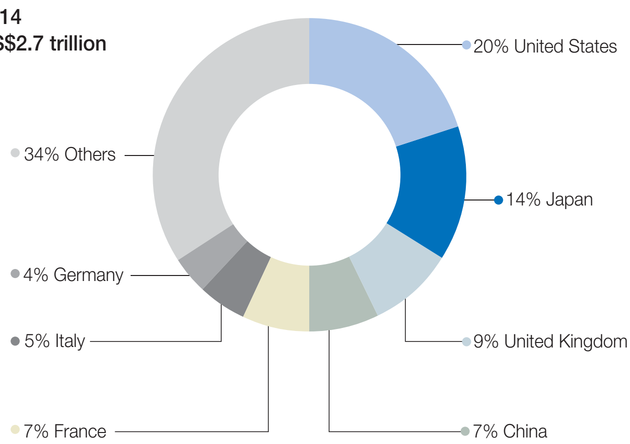
Sony Life has increased sales of highly profitable insurance products centering on death protection, driven mainly by measures to strengthen consulting-based sales through Lifeplanner sales employees and Partners (independent agents) despite the trend of a shrinking death-protection insurance market. In fiscal 2014, the new policy amount recorded an all-time high, and policy amount in-force charted a steady upward path. As a result, Sony Life sat in the industry's No. 5 position at the end of March 2015, right behind Japan's four major domestic life insurance companies, on a policy amount in force basis**.

In regard to asset management, Sony Life continued to invest in ultralong-term Japanese government bonds to stem rising interest rate risk associated with the ongoing acquisition of new policies. While experiencing ultralow interest rates from 2014 into 2015, the company secured high financial soundness by compiling an asset portfolio able to withstand market fluctuations.

Sony Life remains committed to measures that will drive growth in business volume through new policy acquisition while maintaining a high degree of financial soundness and enhancing its presence in Japan's life insurance market.

**Individual life insurance (as of March 31, 2015)

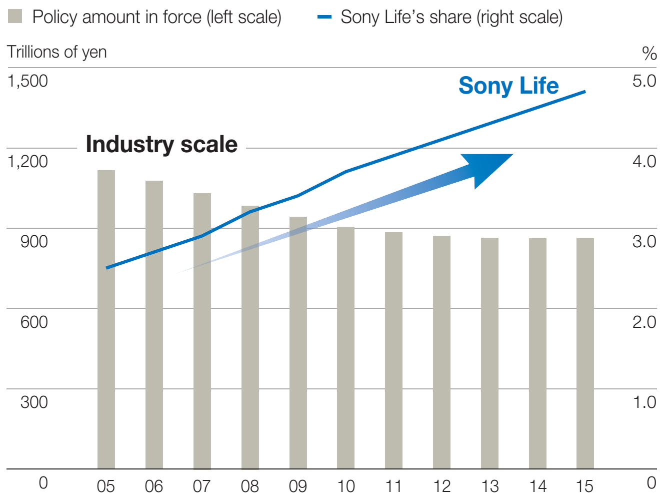
Life Insurance Premium Volume Share by Country



Source: Swiss Re. Sigma No 4/2015, World Insurance in 2014

Industrywide Policy Amount in Force* and Sony Life's Market Share

As of March 31,



The above graph indicates individual life insurance.
Source: "Insurance," by Hoken Kenkyujo (Insurance Research Institute), and data officially disclosed by individual life insurers

A consultation led by Sony Life's Lifeplanner sales employee

Industry Position

New Policy Amount

Billions of yen, %

Rank	Company name	Results	Share
1	A	7,627.8	11.3
2	B	7,002.5	10.4
3	Sony Life	4,625.7	6.9
4	C	4,112.8	6.1
5	D	3,753.1	5.6
6	E	3,653.4	5.4
7	F	3,367.0	5.0
8	G	3,092.1	4.6
9	H	3,043.0	4.5
10	I	2,925.2	4.3

Policy Amount in Force

Billions of yen, %

Rank	Company name	Results	Share
1	A	146,649.3	17.1
2	B	121,655.7	14.2
3	C	89,060.4	10.4
4	D	74,463.2	8.7
5	Sony Life	40,391.0	4.7
6	E	39,159.0	4.6
7	F	35,086.0	4.1
8	G	33,172.2	3.9
9	H	32,411.0	3.8
10	I	27,229.5	3.2

Note: Individual life insurance (as of March 31, 2015)
Source: Data officially disclosed by individual life insurers

Recent Topics

October 2014:

Launch of Living Benefit Whole Life Insurance (Living Standard Type) and Living Standard Special Provision 14

Sony Life began selling products with more extensive protection in the categories of specific disability and nursing care that will enable customers to live comfortably even if serious illness or injury cause a financial burden.

Living Benefit Whole Life Insurance (Living Standard Type), with slightly higher premiums than its predecessor, Living Benefit Insurance (Whole Life Type) 98, provides protection for the three major diseases (cancer, heart attack and stroke) and death and serious disability in addition to specific disabilities and nursing care. The product links specific disabilities and nursing care to the public system, making it easy for customers to understand. Living Standard Special Provision 14 is an updated version of Special Provisions of Living Standard Insurance, with premiums generally lower than for the predecessor product.

May 2015:

Launch of Lump-sum Payment Whole Life Insurance (No-notification Type)

Revision of Japan's inheritance tax law in January 2015 has spurred interest in using life insurance as a means of ensuring a smooth transfer of assets at the time of inheritance. However, seniors, whose assets represent a comparatively large proportion of overall private wealth, often have health concerns, and even though they are keen to utilize life insurance to facilitate asset transfer, their health issues may preclude them from enrolling in such policies. Sony Life's lump-sum payment whole life insurance does not require any notification of health status or medical examination, thereby enabling all seniors, even those with health concerns, to utilize life insurance as a method for passing on their assets.

Non-life Insurance Business

Business Environment

Automobile insurance, positioned as Sony Assurance's core product category, accounts for the largest portion of Japan's non-life insurance industry and provides around half of the industry's insurance premium revenues. Japan's automobile insurance market is dominated by the major non-life insurers, and approximately 90%* of insurance premium revenues are generated by policies sold mainly through those insurers' nationwide agencies.

In fiscal 2014, Japan's automobile insurance premium revenues maintained a year-on-year upward trend, primarily because of continuous insurance premium rate increases by non-life insurers to achieve better loss ratios. Profitability improved dramatically, especially among major non-life insurers, mainly due to reduced claims paralleling the introduction of a new bonus-malus system (non-fleet driver rating system).

Nevertheless, automobile ownership is expected to gradually decline over the medium and long term, primarily due to the shrinking population as well as a growing disinterest in automobiles among young people. In addition, more people are opting for minicars, which carry comparatively lower insurance premiums. Going forward, there is also concern that revenues will deteriorate due to higher claims paid and higher operating expenses following upward revision of the consumption tax. Such factors are making the market environment very challenging. Furthermore, a number of insurance companies are participating in research and introducing telematics insurance. This could bring a major change in the automobile insurance market.

Against this backdrop, direct non-life insurance companies (direct insurers) on the whole, including Sony Assurance, have seen steady increases in insurance premium revenues as well as growth in their share of the automobile insurance market year after year. This growth has been driven by strong customer support for lower insurance premium structures compared with major non-life insurers, plus heightened recognition mirroring vigorous advertising activities by direct insurers. Going forward, customers' preference for low prices is bound to become more firmly entrenched, which should fuel continued expansion of direct insurers' market share. Conversely, the low-price strategies of direct insurers, especially newcomers to the industry, and an upward trend in advertising expenses are issues that could lead to fiercer competition among direct insurers.

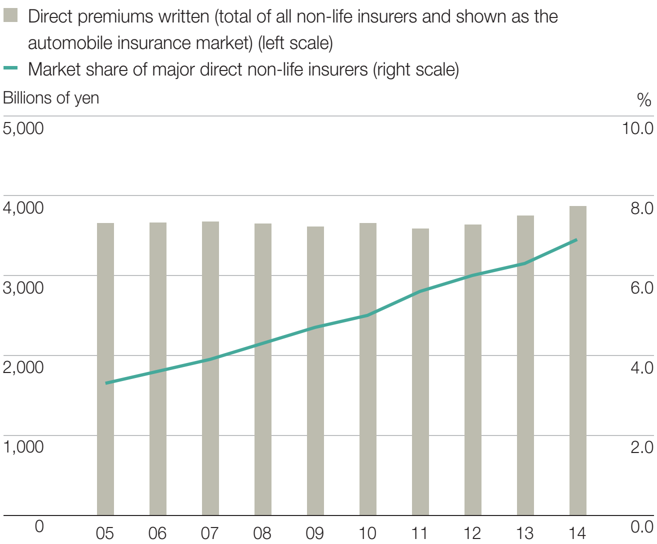
**The figure is based on a survey conducted by Sony Assurance from data officially disclosed by individual non-life insurers.*

Sony Assurance's Responses

Since taking the No. 1 position[1] based on direct premiums written in the direct automobile insurance market in fiscal 2002, Sony Assurance has established a strong presence at the forefront of the domestic direct insurers' market. In fiscal 2014, the company maintained a favorable increase in premium revenues and dramatically improved its revenue position, largely thanks to revised premium rates and a lower loss ratio, achieved through the introduction of a bonus-malus system (non-fleet driver rating system).

Automobile Insurance Market and Market Share of Major Direct Non-life Insurers

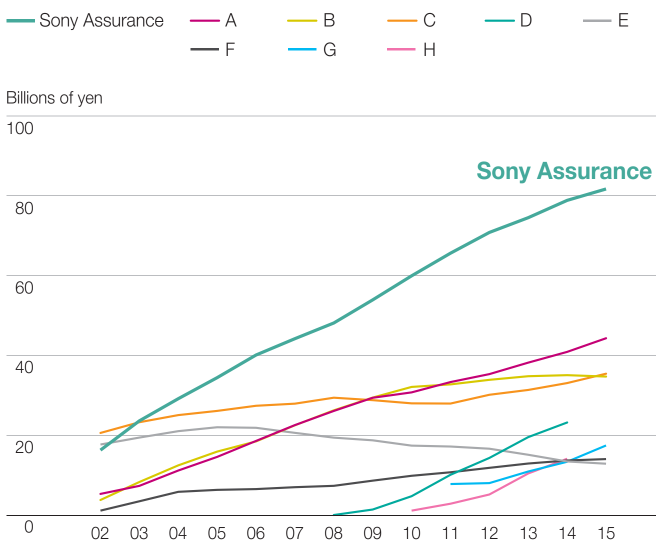
For the years ended March 31,



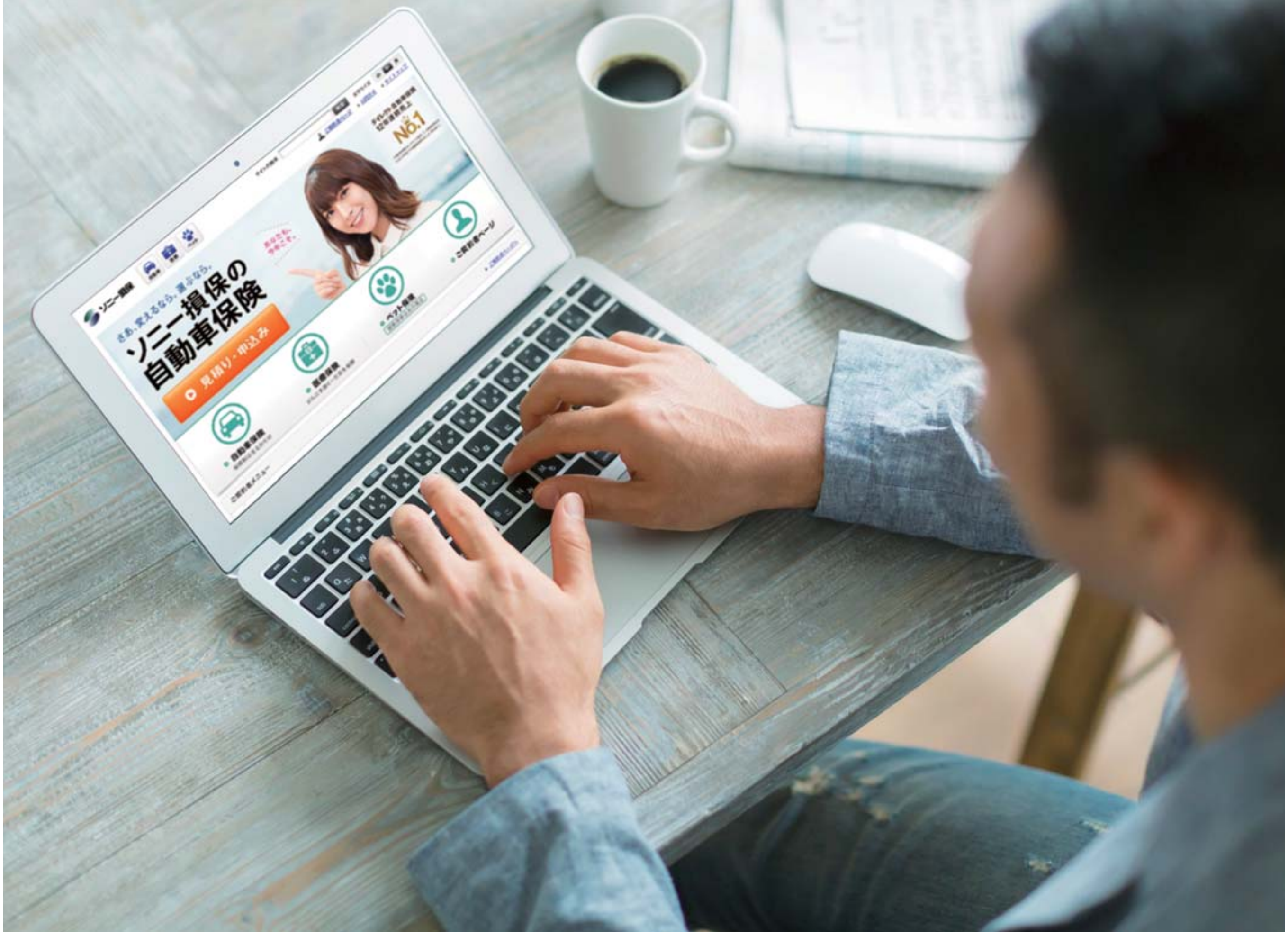
Note: The graph was prepared by Sony Assurance from data officially disclosed by individual non-life insurers.

Direct Premiums Written (Automobile Insurance) by Major Direct Non-life Insurers

For the years ended March 31,



Note: The graph was prepared by Sony Assurance from data officially disclosed by individual non-life insurers. Amounts for fiscal 2014 are based on published data available up to June 23, 2015.



Sony Assurance's official website (Japanese only)

A noteworthy new development in fiscal 2014 was the debut of Gentle Driving Cash-Back Plan, Japan's first[2] automobile insurance that factors in such driving behavior as the rate of acceleration and deceleration into insurance premiums. Going forward, Sony Assurance remains committed to the pursuit of rationality, progressiveness and uniqueness—qualities for which the company is known—in the automobile insurance business and will take steps to earn the trust and loyalty of more customers by raising the customer-oriented value of its products and services, which is the source of growth.

Recent Topics

February 2015:

Launch of Gentle Driving Cash-back Plan

Sony Assurance launched a pay-how-you-drive type of automobile insurance called Gentle Driving Cash-Back Plan that enables policyholders to earn cash back on their insurance premiums, based on predetermined premiums, for gentle driving without rapid acceleration or hard braking. For this insurance, a compact measuring device—a Drive Counter—will be installed in policyholders' vehicles at no charge. This original device will be used to reflect such driving behavior as acceleration and deceleration in insurance premiums, making it the first automobile insurance of this type available in Japan.[2,3,4]

Sony Assurance's original "Drive Counter"

By providing rebates for gentle driving, this new product will allow customers whose insurance premiums tend to be high to enjoy savings on insurance premiums. Customers whose premiums tend to be high under the original plan are drivers in their 20s and those whose bonus-malus (no-claims discount) level has not risen.

July 2015:

Opening of a new customer support office in Kumamoto Prefecture

Sony Assurance opened a customer support office in Kumamoto Prefecture, which commenced operations in July 2015. This is the company's third customer support office, joining one in Tokyo and one in Sapporo, Hokkaido[5]. Customer support offices offer wide customer support, including responding to inquiries and conducting consultations about insurance as well as policy procedures, and after-care services following policy sign-up[5].

[1] *Based on the automobile insurance premiums of non-life insurers selling automobile insurance directly, as of March 31, 2003 (according to research by Sony Assurance)*
[2] *The aspect that qualifies as "Japan's first" is the reflection of acceleration and deceleration data in premiums. This is based on a survey conducted by Sony Assurance as of February 2015, using information disclosed publicly by non-life insurance companies.*
[3] *The Drive Counter was developed jointly with OPTEX CO., LTD.*
[4] *"Driving behavior" refers to the frequency of acceleration and deceleration.*
[5] *Accident response services are provided through 25 service centers across the country and through the nationwide service network rather than through customer support offices.*

Banking Business

Business Environment

In Japan, personal financial assets have climbed to approximately ¥1,700 trillion*, the second highest level in the world. Cash and deposits account for more than half of this amount, a high level compared with that of other developed countries. Investment preferences and requirements in managing these personal financial assets are diversifying, along with changing lifestyles and evolving social needs not to mention the accelerated shift to an aging society, coupled with a low birthrate. As a result, in recent years Internet banks have achieved growth on the back of their cost-competitiveness and convenience to users.

Nonetheless, the deposit balance of Internet banks is a solid 1%** of personal financial assets—still quite small—but given the rapid proliferation of smartphones, tablets and other online-connectivity devices, there is certainly ample room for growth. However, the Bank of Japan has continued and expanded quantitative and qualitative monetary easing since April 2013 and has even ratcheted up an already aggressive policy on super low interest rates. The situation is compounded by mounting interest rate competition among banks. In addition, Internet banks are not the only members of the finance industry pursuing the online route to customers. Megabanks are keen to enhance the convenience of their own Internet banking services. Meanwhile, regional banks have implemented an aggressive price offensive, which is bound to add fuel to an intensely competitive retail finance market.

Sony Bank's Response

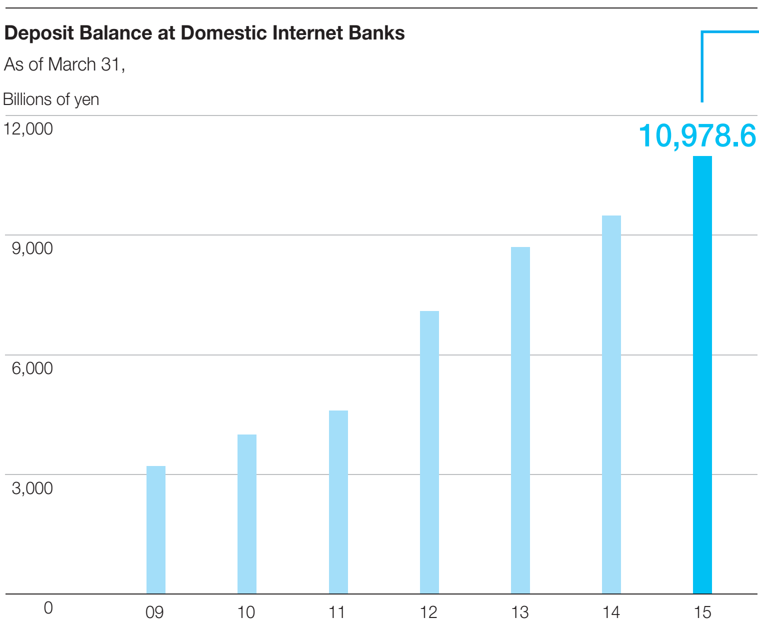
In this environment, Sony Bank has emphasized mortgage loan and foreign currency businesses and expanded its business volume on the strength of its reputation for high customer satisfaction.

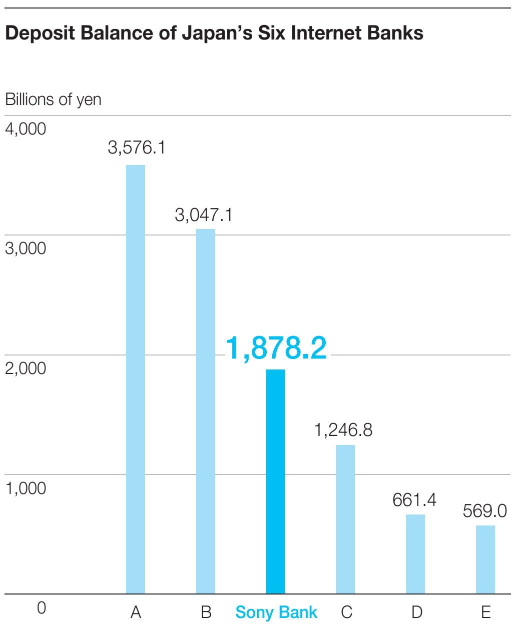
In Japan's mortgage loan market, interest rates hit a historic low in fiscal 2014 and the mortgage loan balance shifted in a favorable direction. This occurred despite a downward trend in the supply of newly built homes, which was mainly due to a reactionary drop in demand following a rush of purchasing activity in 2013 ahead of the consumption tax increase. On the other hand, the sluggish interest rate situation kindled heated competition among banks to lower their mortgage loan interest rates. In this operating environment, Sony Bank steadily saw its mortgage loan balance rise, and going forward, the company will expand business volume by improving the quality of its products and reinforcing sales channels.

In the foreign currency business, Sony Bank has grown its transaction volume by offering reasonable rates and providing highly convenient services centered on foreign currency. The company's foreign-currency deposit balance represented 7% of the domestic bank total, as of March 2015, right behind that of the major banks. Efforts will also be directed into expanding the customer base by enhancing convenience through stronger settlement functions.

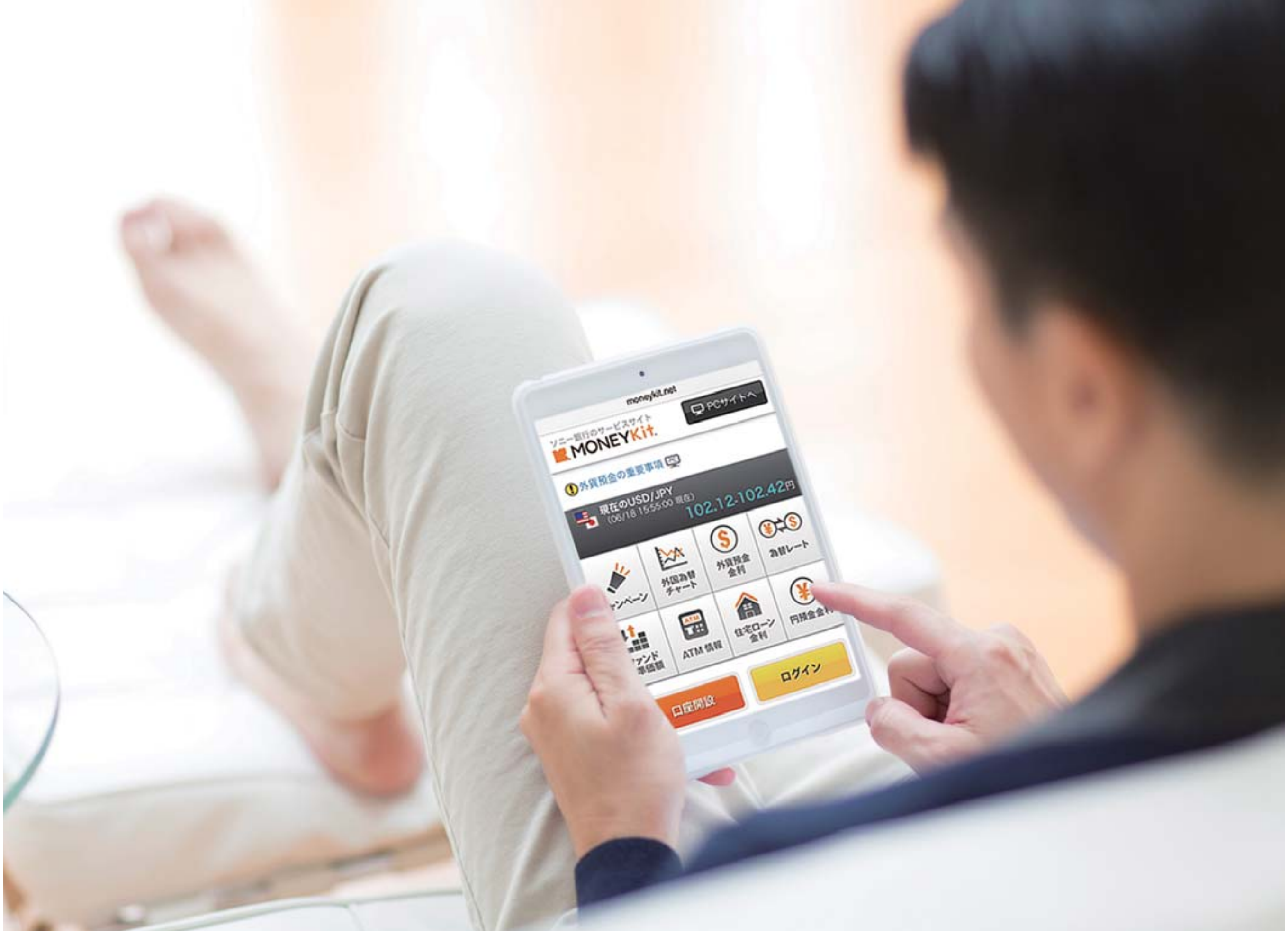
Source: Flow of Funds Accounts issued by the Bank of Japan

***Sources: Prepared based on the* Nikkin Report *by The Japan Financial News Co., Ltd. and data officially disclosed by various financial institutions*
Excludes data for shinkin *(credit union) banks, credit associations, labor credit associations, agricultural cooperatives and certain other organizations*





Source: Data compiled by Sony Bank based on publicly disclosed material



Sony Bank's MONEYKit service site (Japanese only)

Recent Topics

August 2014:

Expands Interest Rate Discount on Mortgage Loans Relative to Personal Funds

Sony Bank expanded the interest rate discount spread, on an annualized basis, up to 0.05% on mortgage loans to purchase existing or newly built homes or condominiums for customers of loans where the percentage of personal funds is greater than 10%* of the sum of the purchase price and contract price. As a result, the discount spread on the interest rate plan for mortgage loans maxes out at 1.05% (annualized) from 1.00% (annualized) and that of the variable select mortgage loan at 1.35% (annualized) from 1.30% (annualized).

**Interest rate discounts based on the percentage of new purchases to net worth target customers whose total borrowing amount is within 90% of the sum of the purchase price and the contract price (excluding miscellaneous costs and handling fees in both cases). The discounted rate does not apply if the mortgage loan has been refinanced.*

August 2014:

Commences ATM Alliance with AEON Bank

Sony Bank began an ATM alliance with AEON Bank, Ltd. in August 2014. Through this arrangement, Sony Bank customers with a cash card are able to access all services available through AEON Bank ATMs located mainly at AEON Group stores nationwide. Sony Bank customers will not be charged a service fee for using the AEON Bank ATMs. This expands Sony Bank's alliance-based ATM network to about 90,000 units.

December 2014:

Starts Handling Exchange Rate-linked Deposits (Yen-start)

Exchange rate-linked deposits, initiated with a deposit amount in yen, are structured deposits based on a predetermined deposit period with contracts to repay the principal and interest amount at maturity using exchange rate levels.

If the yen is stronger than the strike rate—telegraphic transfer middle rate (TTM) determined at time of contract—and thus higher than the contract rate, the principal and interest amount on the maturity date will be converted at the contract rate to a specified currency (foreign currency) and deposited into the customer's foreign currency ordinary deposit account. Conversely, if the yen has depreciated or the reference rate is the same as the contract rate, the contract will be dissolved and the principal and interest amount will be returned in yen to the customer's yen ordinary deposit account on the maturity date. Customers are not able to determine the currency in which the deposit is repaid at maturity, but this product offers the advantage of receiving higher-than-usual rates of interest over a relatively short time frame.

Fiscal 2014 Analysis of Operating Performance
(April 1, 2014 – March 31, 2015)

SFH (Consolidated)

Operating Results

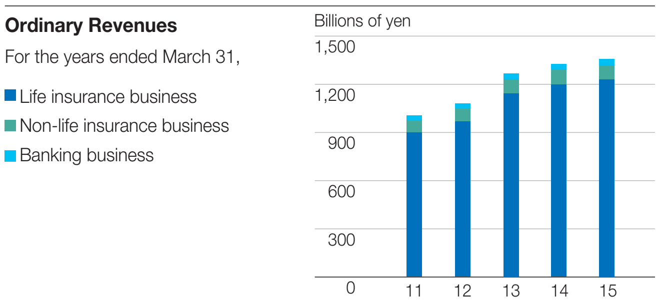
During fiscal 2014, the Japanese economy was affected in the first half by a pullback in demand in the wake of the consumption tax increase. In the second half, however, the government's growth strategies led to higher corporate earnings, and the employment and income scenario improved. As a result, the economy continued along a path of modest recovery. In the financial markets, Japanese stock prices spiked, while the yen significantly depreciated against the U.S. dollar on the back of enhanced qualitative and quantitative monetary easing by the Bank of Japan, along with the expected review of asset management ratios by the Government Pension Investment Fund (GPIF). Long-term domestic interest rates generally remained on a downward trend.

Against this backdrop, the Sony Financial Group provided customers with high-quality services with the aim of becoming one of the most highly trusted financial services groups. The Group also implemented various measures to satisfy increasingly diverse customer needs.

Consequently, Sony Financial Group, for fiscal 2014, posted increases in both revenues and profits in all three core businesses: life insurance, non-life insurance and banking. Consolidated ordinary revenues rose 2.4% over the previous fiscal year, to ¥1,352.3 billion, while consolidated ordinary profit increased 18.3% year on year, to ¥90.0 billion. After deducting extraordinary losses as well as the provision for reserve for policyholders' dividends and income taxes from ordinary profit, consolidated net income increased 34.4% year on year, to ¥54.4 billion. This reflects the rise in ordinary profit as well as the drop in extraordinary losses resulting from a change in Sony Life's policy for calculating the reserve for price fluctuations.

Segment performance was as follows:

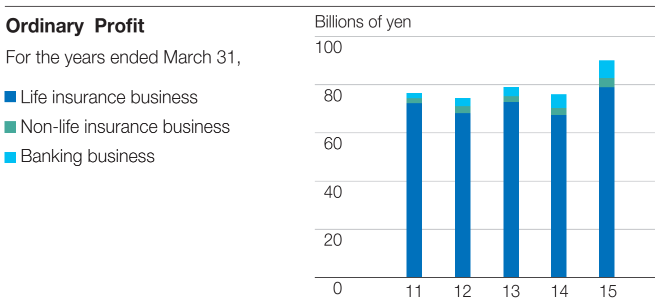
Life Insurance Business Policy amount in force increased steadily, reflecting a record-high new policy amount achieved through the strong acquisition of new policies. Ordinary revenues increased 2.3% year on year, to ¥1,223.9 billion, because of higher investment income, offsetting lower income from insurance premiums due to the impact of a surge in demand for lump-sum payment endowment insurance in the previous fiscal year. Ordinary profit rose 16.5% year on year, to ¥78.3 billion, reflecting factors including higher gains on the sale of securities in the general account, the absence of a decline in profit associated with the revision of the discount rate used for calculating policy reserve on the interest rate-sensitive whole life insurance, that was present in fiscal 2013, and a higher positive spread amount.



Please see the notes on page 2 and page 27 for information on consolidated ordinary revenues for SFH and ordinary revenues from the banking business for fiscal 2013, respectively.

Non-life Insurance Business Ordinary revenues increased 3.5% year on year, to ¥93.0 billion, reflecting higher net premiums written primarily in the mainstay automobile insurance. Ordinary profit surged 40.2% year on year, to ¥4.2 billion, reflecting higher ordinary revenues, along with an improvement in the loss ratio due primarily to a lower automobile accident ratio.

Banking Business Ordinary revenues increased 5.3% year on year, to ¥38.4 billion, due mainly to higher revenues associated with foreign currency-related transactions and mortgage loans. Ordinary profit rose 30.0% year on year, to ¥7.3 billion, reflecting higher ordinary revenues, as well as higher gains from bond-dealing transactions.



Financial Position

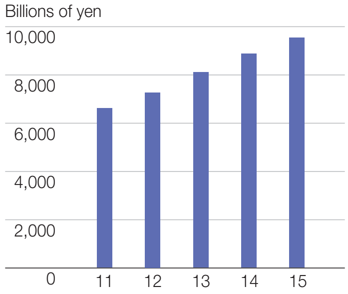
As of March 31, 2015, total assets amounted to ¥9,545.8 billion, up 8.0% from March 31, 2014. Among major components of assets, securities—mostly Japanese government bonds—amounted to ¥7,377.5 billion, up 8.1% from March 31, 2014. Loans came to ¥1,349.5 billion, up 11.4%, and monetary trusts reached ¥336.8 billion, up 3.4%.

Total liabilities were ¥8,995.1 billion, up 7.4% from March 31, 2014. Major components of liabilities included policy reserves and others of ¥6,879.0 billion, up 9.8%, and deposits totaled ¥1,872.8 billion, down 0.9%.

Total net assets were ¥550.6 billion, up 17.9% from March 31, 2014. This included net unrealized gains on other securities, net of taxes, which increased ¥35.1 billion, to ¥127.1 billion.

Total Assets

As of March 31,



Cash Flow Status

Net cash provided by operating activities in fiscal 2014 amounted to ¥425.6 billion, mainly on higher contributions from insurance premiums in the life insurance business, down ¥176.0 billion from the previous fiscal year. The primary reason for this decrease was a decline in income from insurance premiums in the life insurance business, a decline in customer deposits, and a growing balance of loans such as mortgage loans in the banking business.

Net cash used in investing activities was ¥445.4 billion despite inflows from the sale and redemption of securities in the banking and life insurance businesses, which were surpassed by payments to acquire securities in the life insurance business. This means a ¥103.9 billion drop in payments compared with the previous fiscal year mainly because of an increase in inflows from the sale of securities in the life insurance business.

Net cash used in financing activities was ¥13.0 billion mainly reflecting cash dividends paid, down ¥0.4 billion from the previous fiscal year.

As a result of the above factors, cash and cash equivalents at March 31, 2015, amounted to ¥207.4 billion, down ¥32.8 billion from March 31, 2014.

Risk-Monitored Loans

As of March 31,	Millions of yen 2014	**2015**
Category		
Bankrupt loans	¥ 308	**¥ 207**
Non-accrual delinquent loans	1,403	**1,430**
Past-due loans (3 months or more)	—	**—**
Restructured loans	1,880	**1,715**
Total	¥3,592	**¥3,353**

Consolidated Solvency Margin Ratio

As of March 31,	2014	2015
	Millions of yen	
(A) Total consolidated solvency margin	¥1,077,568	**¥1,216,296**
Common stock, etc.	367,877	**410,709**
Reserve for price fluctuations	41,657	**42,969**
Contingency reserve	63,744	**68,790**
Catastrophe reserve	8,451	**11,344**
General reserve for possible loan losses	790	**595**
Net unrealized gains on other securities (before tax deductions) x 90% (100% if losses)	128,179	**168,454**
Net unrealized gains on real estate x 85% (100% if losses)	75	**15,325**
Total amount of unrecognized net actuarial gain (loss) and unrecognized prior service cost (before subtracting tax effects)	(2,938)	**(2,189)**
Amount excluded from deferred tax assets	—	**—**
Unallotted portion of reserve for policyholders' dividends	174	**212**
Tax effect equivalent (after deducting amount excluded)	78,868	**81,201**
Subordinated debt and surplus components of premium reserve	400,056	**429,392**
Total solvency margin of small-amount short-term insurers	—	**—**
Deductible items	9,369	**10,510**
(B) Total consolidated risk $\sqrt{(\sqrt{R_1^2+R_5^2}+R_8+R_9)^2+(R_2+R_3+R_7)^2}+R_4+R_6$	137,808	**148,788**
Insurance risk (R_1)	22,512	**23,045**
Ordinary insurance risk (R_5)	10,386	**10,465**
Major catastrophe risk (R_6)	649	**737**
Third-sector insurance risk (R_8)	8,368	**8,422**
Insurance risk of small-amount short-term insurers (R_9)	—	**—**
Assumed interest rate risk (R_2)	29,694	**30,225**
Minimum guarantee risk (R_7)	12,896	**14,373**
Asset management risk (R_3)	84,744	**93,583**
Business management risk (R_4)	5,576	**5,810**
Consolidated solvency margin ratio (A)/{(1/2)x(B)} x 100	1,563.8%	**1,634.9%**

Notes: 1. Figures are calculated in accordance with Article 210, Paragraph 11-3 and Paragraph 11-4 of the Ordinance of Enforcement of the Insurance Business Act of Japan, and FSA Notification No. 23 (2011).
2. Minimum guarantee risk is calculated based on the standardized approach.

Analysis of Operating Performance

SFH's consolidated operating results come from its life insurance, non-life insurance, and banking businesses. Segment-by-segment reviews of fiscal 2014 operating performances are presented below.

Life Insurance Business

SFH's life insurance business consists of Sony Life, a wholly owned subsidiary of SFH, and AEGON Sony Life Insurance and SA Reinsurance—both equity-method affiliates 50% owned by Sony Life.

Sony Life accounts for nearly all of SFH's life insurance business. A discussion of the non-consolidated operating performance of Sony Life follows.

New Policy Amount

New policy amount is the total policy amount of new insurance policies.

Billions of yen

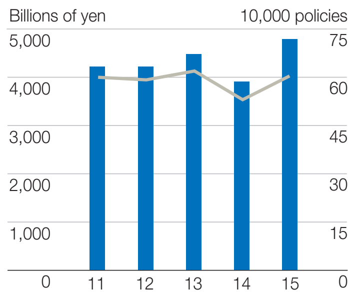
For the years ended March 31,	2014	**2015**	Change
New policy amount	¥3,889.3	**¥4,771.6**	22.7%
Individual life insurance	3,814.2	**4,625.7**	21.3%
Individual annuities	75.0	**145.9**	94.3%
Annualized premiums from new policies	63.9	**76.6**	19.7%
Medical protection, living benefit protection and other products	13.4	**15.2**	13.3%
Number of new policies (10,000 policies)	53.3	**60.6**	13.7%

New Policy Amount and Number of New Policies

(Individual life insurance + Individual annuities)

For the years ended March 31,

■ New policy amount (left scale)
— Number of new policies (right scale)



Main Points The new policy amount achieved a record high, due to higher sales of family income insurance and variable life insurance, as a result of an initiative to promote sales of death-protection insurance. Annualized premiums from new policies also increased to a record high, due to robust sales of variable life insurance, educational endowment insurance and living benefit insurance.

Policy Amount in Force

Policy amount in force refers to the total amount of coverage that Sony Life provides to individual policyholders.

Billions of yen

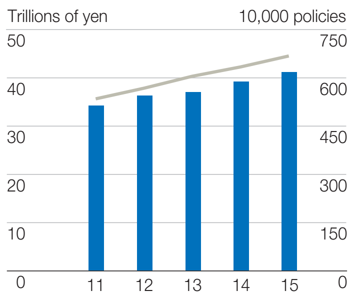
As of March 31,	2014	**2015**	Change
Policy amount in force	¥39,095.0	**¥40,988.7**	4.8%
Individual life insurance	38,628.0	**40,391.0**	4.6%
Individual annuities	466.9	**597.6**	28.0%
Annualized premiums from insurance in force	696.9	**735.7**	5.6%
Medical protection, living benefit protection and other products	167.0	**172.8**	3.4%
The number of policies in force (10,000 policies)	633.0	**667.2**	5.4%

Policy Amount in Force and Number of Policies in Force

(Individual life insurance + Individual annuities)

As of March 31,

■ Policy amount in force (left scale)
— Number of policies in force (right scale)



Main Points The policy amount in force increased owing to the solid rise in new policies. Sony Life's policy amount in force for individual life insurance and individual annuities has grown steadily for 34 years since the company commenced operations.

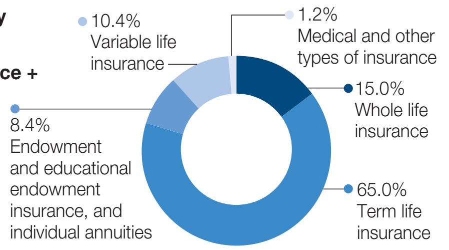
Sales of Products (Percentage Composition)

For the years ended March 31,	2014	**2015**	Change
Whole life insurance	16.4%	**15.0%**	(1.4pt)
Term life insurance	64.2%	**65.0%**	0.8pt
Endowment and educational endowment insurance, and individual annuities	11.4%	**8.4%**	(3.0pt)
Variable life insurance	6.1%	**10.4%**	4.3pt
Medical and other types of insurance	1.9%	**1.2%**	(0.7pt)

New Policy Amount by Type of Product

(Individual life insurance + Individual annuities; Policy amount basis)

For the year ended March 31, 2015



Main Points Death-protection insurance products* accounted for about 90% of the new policy amount in fiscal 2014 (policy amount basis).

**Here, the new policy amount for death-protection insurance products represents the total new policy amount after deducting new policy amounts for endowment insurance and educational endowment insurance, individual annuities and medical insurance.*

Lapse and Surrender Rate

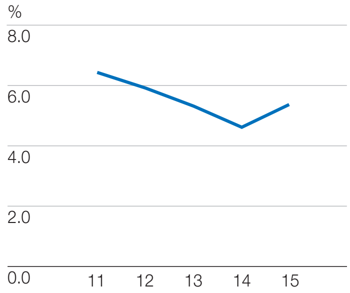
The lapse and surrender rate shows the ratio derived by dividing the amount of lapses and surrenders, not adjusted for policy amount decreases, increases and reinstatements, by the policy amount in force at the beginning of the fiscal year.

For the years ended March 31,	2014	**2015**	Change
Lapse and surrender rate	4.61%	**5.35%**	0.74pt

Main Points The lapse and surrender rate rose in family income insurance and living benefit insurance, as a certain portion of customers switched over to other insurance products deemed more rational for their purposes.

Lapse and Surrender Rate (Individual life insurance + Individual annuities; Policy amount basis)

For the years ended March 31,



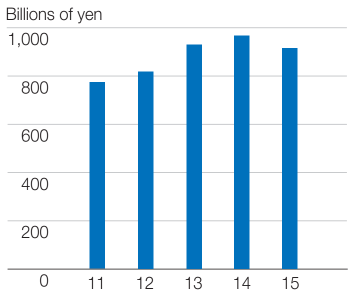
Income from Insurance Premiums and Insurance Claims and Other Payments

Billions of yen

For the years ended March 31,	2014	**2015**	Change
Income from insurance premiums	¥960.9	**¥914.0**	(4.9%)
Insurance claims and other payments	327.2	**382.9**	17.0%
Of which, insurance claims	77.4	**79.6**	2.9%
Of which, insurance benefits	55.5	**63.1**	13.8%
Of which, annuity payments	10.7	**11.2**	4.7%
Of which, surrender payments	178.4	**223.1**	25.1%

Income from Insurance Premiums

For the years ended March 31,



Main Points Income from insurance premiums decreased due to the impact of a surge in demand for lump-sum payment endowment insurance in the previous fiscal year. However, level-premium income is constantly increasing buoyed by business expansion.

Asset Management (General Account)

Sony Life's investment policy is to identify the special characteristics of insurance liabilities, based on the asset-liability management (ALM) approach, and prioritize investment in assets suited to such characteristics. Specifically, to deal with long-term liabilities—that is, life insurance policies—the company properly controls the inherent risk in insurance liabilities associated with fluctuating interest rates by investing in Japanese government bonds (JGBs) with long-term maturities. At the same time, the company limits investment into risk assets, such as stocks.

Billions of yen

	2014		**2015**	
As of March 31,	Amount	Composition	Amount	Composition
Japanese government bonds	¥5,190.0	86.7%	**¥5,606.8**	**86.2%**
Japanese stocks	33.2	0.6%	**42.4**	**0.7%**
Foreign bonds	79.8	1.3%	**105.5**	**1.6%**
Foreign stocks and other securities	26.9	0.4%	**26.0**	**0.4%**
Monetary trusts	305.3	5.1%	**313.2**	**4.8%**
Policy loans	154.1	2.6%	**162.3**	**2.5%**
Real estate	66.5	1.1%	**117.7**	**1.8%**
Cash and deposits, call loans	32.6	0.5%	**56.8**	**0.9%**
Other	95.6	1.6%	**76.7**	**1.2%**
Total	¥5,984.3	100.0%	**¥6,508.0**	**100.0%**

Main Points In fiscal 2014, Sony Life continued to invest primarily in ultralong-term bonds. The ratio of JGBs stood at 91.0% as of March 31, 2015, in real terms, reflecting the inclusion of bonds invested in monetary trusts. Going forward, Sony Life will continue to properly control the interest rate risk associated with insurance liabilities by investing most of the new funds generated by income from insurance premiums and other sources in ultralong-term bonds.

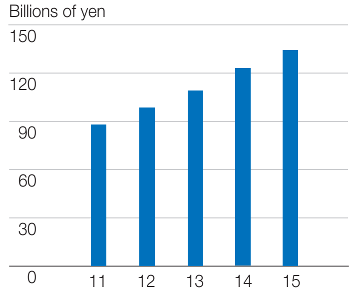
Interest Income and Dividends

Interest income and dividends are primarily investment income, which is largely composed of interest income from deposits, interest income and dividends from securities, income from real estate for rent and interest income from loans.

		Millions of yen	
For the years ended March 31,	2014	**2015**	Change
Cash and deposits	¥ 0	**¥ 0**	(36.0%)
Interest and dividends from securities	106,187	**117,276**	10.4%
Of which, Japanese government and corporate bonds	98,588	**107,383**	8.9%
Of which, Japanese stocks	397	**464**	16.9%
Of which, foreign securities	6,740	**8,998**	33.5%
Loans	5,691	**5,921**	4.0%
Real estate for rent	10,250	**10,327**	0.8%
Total, including other interest income and dividends	¥122,160	**¥133,592**	9.4%

Interest Income and Dividends

For the years ended March 31,



Unrealized Gains and Losses on Securities

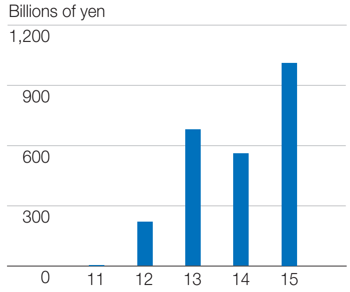
Unrealized gains and losses on securities* refers to the differences between the carrying amounts of securities and their fair values. When the fair value of an asset is higher than its carrying amount, the sale of the asset at fair value would result in a gain on the sale. Consequently, unrealized gains can function as a provision for various risks. A portion of unrealized gains and losses on securities is included in the total solvency margin (numerator) used in calculating the solvency margin ratio (please see page 43).

**Unrealized gains and losses on securities list the total of unrealized gains or losses on held-to-maturity securities and available-for-sale securities with fair values. The total of securities includes securities included in monetary trusts.*

		Billions of yen	
As of March 31,	2014	**2015**	Change
Unrealized gains on securities in the general account	¥554.7	**¥1,008.3**	¥453.6
Unrealized gains on held-to-maturity securities	430.3	**839.4**	409.1
Net unrealized gains on available-for-sale securities	124.3	**168.8**	44.4
Of which, unrealized gains on Japanese government and corporate bonds	110.8	**145.5**	34.6
Of which, unrealized gains on Japanese stocks	8.9	**16.0**	7.1
Of which, unrealized gains on foreign securities	3.5	**6.9**	3.4

Unrealized Gains on Securities

As of March 31,



Main Points Unrealized gains on securities in the general account increased owing to a rise in unrealized gains on Japanese government and corporate bonds.

(Reference: On March 31, 2015, SFH assumed unrealized gains on Japanese stocks to be zero when the Nikkei Stock Average was ¥8,856 and the TOPIX index was 711 points.)

Core Profit

Core profit is an indicator of the profit-earning capacity of the primary insurance business over a one-year period. Primary insurance business refers to the management of insurance premiums received from policyholders, along with investment income to pay insurance claims, benefits and annuities, as well as to making and then investing policy reserve provisions for future payments. The addition to core profit of capital gains and losses, including gains and losses on the sale of securities, as well as one-time gains and losses, results in ordinary profit as listed in the statements of income.

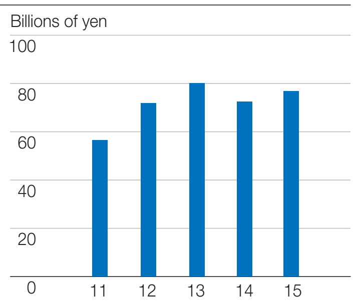
Note: Sony Life, like most life insurers organized as stock companies, primarily sells non-participating life insurance. This contrasts with life insurers organized as mutual companies, which typically offer participating policies for which premiums include an additional amount equal to the funds used for policyholder dividends. This additional amount is recorded as core profit and the funds used for policyholder dividends are included in core profit. Mutual companies consequently tend to show relatively higher core profit than stock companies of similar scale.

For the years ended March 31,	2014	2015	Change
			Billions of yen
Core profit	¥72.3	**¥76.5**	5.7%

Main Points Core profit increased due mainly to the absence of a decline in profit associated with the revision of the discount rate used for calculating policy reserves on interest rate-sensitive whole life insurance that was present in fiscal 2013 and the constructive effect of a higher positive spread, despite a higher provision of policy reserves for minimum guarantees for variable life insurance.

Core Profit

For the years ended March 31,



Breakdown of Ordinary Profit (Core Profit)

For the years ended March 31,	2014	2015
		Millions of yen
Core profit (A)	¥72,365	**¥76,505**
Capital gains	2,130	**14,447**
Income from monetary trusts, net	—	**—**
Income from trading securities, net	—	**479**
Gains on sale of securities	773	**8,899**
Gains on derivatives, net	172	**—**
Foreign exchange gains, net	1,183	**5,068**
Other capital gains	—	**—**
Capital losses	949	**6,011**
Losses on monetary trusts, net	—	**—**
Losses on trading securities, net	—	**—**
Losses on sale of securities	528	**0**
Devaluation losses on securities	—	**—**
Losses on derivatives, net	—	**2,099**
Foreign exchange losses, net	—	**—**
Other capital losses	420	**3,910**
Net capital gains (losses) (B)	1,180	**8,435**
Core profit plus net capital gains (losses) (A) + (B)	73,545	**84,940**
Other one-time gains	—	**—**
Gains from reinsurance	—	**—**
Reversal of contingency reserve	—	**—**
Reversal of specific reserve for possible loan losses	—	**—**
Others	—	**—**
Other one-time losses	4,340	**5,275**
Losses from reinsurance	—	**—**
Provisions for contingency reserve	4,110	**5,035**
Provisions for specific reserve for possible loan losses	6	**31**
Provisions for reserve for loan losses from borrowers in specific foreign countries	—	**—**
Write-off of loans	—	**—**
Others	223	**207**
Net other one-time gains (losses) (C)	(4,340)	**(5,275)**
Ordinary profit (A) + (B) + (C)	¥69,205	**¥79,665**

Notes: 1. Core profit for fiscal 2014 (A) includes income gains of ¥5,283 million in income from monetary trusts along with interest income and dividends of ¥28 million in income from trading securities. Other capital losses include the provision of policy reserves of ¥3,693 million for currency market fluctuations of products denominated in foreign currencies and impairment losses of ¥217 million from investment partnerships. "Others" of other one-time losses include the provision of additional policy reserve of ¥207 million.

2. Core profit for fiscal 2013 (A) includes income gains of ¥5,311 million in income from monetary trusts. Other capital losses include the provision of policy reserves of ¥227 million for currency market fluctuations of products denominated in foreign currencies and impairment losses of ¥193 million from investment partnerships. "Others" of other one-time losses include the provision of additional policy reserve of ¥223 million.

Positive Spread

Life insurers use a portion of the premiums received from policyholders to accumulate policy reserves for the payment of future claims. These policy reserves assume an annual return based on a fixed interest rate. This interest rate is known as the assumed interest rate. A positive spread occurs when the actual investment yield is higher than the average assumed interest rate and vice versa for a negative spread. A negative spread occurs due to deterioration in the investment environment or other reasons.

Billions of yen

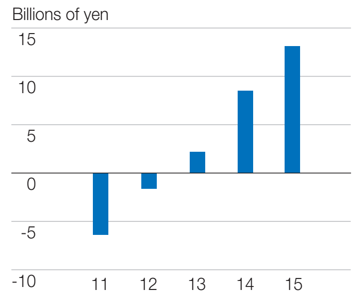
For the years ended March 31,	2014	**2015**	Change
Positive spread	¥8.4	**¥13.0**	54.8%
Average assumed interest rate	2.18%	**2.12%**	(0.06pt)
Investment yield (general account)	2.20%	**2.36%**	0.16pt
Investment yield for core profit	2.35%	**2.35%**	0.00pt

Main Points Positive spread advanced ¥4.6 billion year on year, to ¥13.0 billion, due mainly to a drop in the average assumed interest rate resulting from the acquisition of new policies.

Positive Spread

For the years ended March 31,

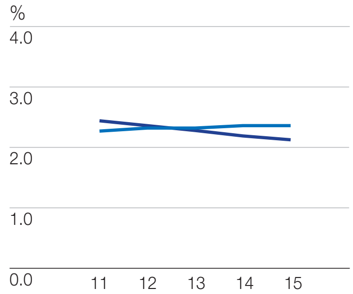
Note: A negative figure for the positive spread indicates a negative spread.



Average Assumed Interest Rate, Investment Yield for Core Profit

For the years ended March 31,

- Investment yield for core profit
- Average assumed interest rate



Formula for Calculating Positive Spread

(Investment yield for core profit[1] – Average assumed interest rate[2])
×
General account policy reserves[3]
||
Positive spread

1. *Investment yield for core profit is the yield on general account policy reserves after subtracting the provision for policyholder dividend reserve from the general account investment returns included in core profit.*
2. *Average assumed interest rate is the assumed yield on general account policy reserves.*
3. *General account policy reserves are calculated based on the following formula for policy reserves in the general account, excluding contingency reserve: (Policy reserves at beginning of period + policy reserves at end of period – assumed interest) x 1/2*

Ordinary Revenues, Ordinary Profit and Net Income

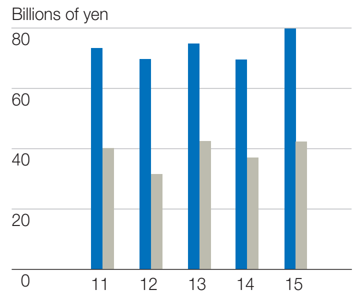
Billions of yen

For the years ended March 31,	2014	**2015**	Change
Ordinary revenues	¥1,197.1	**¥1,223.8**	2.2%
Ordinary profit	69.2	**79.6**	15.1%
Net income	37.0	**42.5**	14.7%

Ordinary Profit and Net Income

For the years ended March 31,

- Ordinary profit
- Net income



Main Points

Ordinary Revenues: Ordinary revenues increased due to higher investment income, despite a decline in income from insurance premiums resulting from the impact of a surge in demand for lump-sum payment endowment insurance in the previous fiscal year.

Ordinary Profit: Ordinary profit increased due mainly to higher gains on the sale of securities in the general account, the absence of a decline in profit associated with the revision in the policy reserve discount rate for interest rate-sensitive whole life insurance, and the constructive effect of a higher positive spread, despite an increase in the provision of policy reserves for minimum guarantees for variable life insurance.

Net Income: Net income increased due to higher ordinary profit. As for the reserve for price fluctuations, Sony Life has changed its calculation policy to accumulate reserves up to required levels, while it had accumulated reserves in excess of the required levels until the previous fiscal year.

Solvency Margin Ratio

The solvency margin ratio is an indicator of payment ability. Life insurers accumulate policy reserves to prepare for the payment of future claims, allowing them to adequately respond to risks within a normally anticipated range. However, unforeseen events can occur as a result of changes in the environment, including major disasters and substantial declines in the stock market. The solvency margin ratio is one measure used by regulatory authorities to determine whether an insurer has the ability to pay in response to the risk of such unpredictable events.

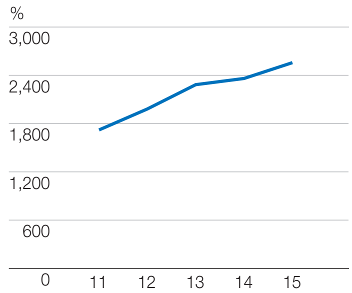
As of March 31,	2014	**2015**	Change
Solvency margin ratio	2,358.7%	**2,555.0%**	196.3pt

Main Points Sony Life's solvency margin ratio was 2,555.0%, as of March 31, 2015, up 196.3 points from March 31, 2014, remaining at a high level.

Solvency Margin Ratio (Current standards)

As of March 31,

Note: Solvency margin ratios have been calculated using current standards applied since March 31, 2012.



Millions of yen

As of March 31,	2014	**2015**
(A) Total solvency margin	¥954,157	**¥1,078,363**
Common stock, etc.	274,027	**301,193**
Reserve for price fluctuations	41,556	**42,845**
Contingency reserve	63,671	**68,707**
General reserve for possible loan losses	0	**0**
Net unrealized gains on other securities x 90% (100% if losses)	118,354	**158,917**
Net unrealized gains on real estate x 85% (100% if losses)	75	**15,325**
Amount excluded from deferred tax assets	—	**—**
Unallotted portion of reserve for policyholders' dividends	174	**212**
Deferred tax assets	78,868	**81,201**
Excess amount of policy reserves based on Zillmer method	400,056	**429,392**
Subordinated debt	—	**—**
The portion of the excess amount of policy reserves based on Zillmer method and subordinated debt that is not included in the margin	(20,626)	**(16,433)**
Deductible items	(2,000)	**(3,000)**
(B) Total risk $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$	80,904	**84,411**
Insurance risk (R_1)	22,512	**23,045**
Third-sector insurance risk (R_8)	8,368	**8,422**
Assumed interest rate risk (R_2)	29,616	**30,138**
Minimum guarantee risk (R_7)	12,896	**14,373**
Asset management risk (R_3)	30,023	**31,493**
Business management risk (R_4)	2,068	**2,149**
(C) Solvency margin ratio [(A)/{(1/2)x(B)}] x 100	2,358.7%	**2,555.0%**

Notes: 1. The above figures are calculated based on provisions in Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act of Japan and Ministry of Finance Public Notice No. 50 (1996).

2. Minimum guarantee risk was calculated based on the standardized approach.

Non-performing Assets

Risk-monitored Loans

Millions of yen

As of March 31,	2014	2015
Category		
Bankrupt loans	¥—	**¥—**
Non-accrual delinquent loans	—	**—**
Past-due loans (3 months or more)	—	**—**
Restructured loans	—	**—**
Total	¥—	**¥—**

Loans by Borrower Category

Millions of yen

As of March 31,	2015	2015
Category		
Bankrupt and quasi-bankrupt loans	¥ —	**¥ —**
Doubtful loans	—	**—**
Sub-standard loans	—	**—**
Normal loans	156,815	**165,075**
Total	¥156,815	**¥165,075**

Main Points Sony Life's asset assessment is shown in the above table. The company does not have any risk-monitored loans (loans for which repayment conditions are not ordinary). Moreover, all figures listed in the loans by borrower category are classified as normal loans.

Sony Life's loan balance* was ¥162.3 billion as of March 31, 2015. As part of this balance, policy loans accounted for ¥162.3 billion. Most of the loan balance consists of policy loans, which are limited to recoverable surrender values.

**Life insurers earn interest income by lending a portion of their assets under asset management. Loans are categorized as either policy loans provided as a service to customers, or as commercial loans. The loan balance comprises the sum of these two categories.*

AEGON Sony Life Insurance: Over-the-counter (OTC) Sales of Individual Annuity Products at Banks

Sony Life began sales of individual variable annuity products in December 2009 through AEGON Sony Life Insurance, a 50–50 joint venture established with the AEGON Group (headquartered in the Netherlands), to meet annuity needs associated with Japan's aging population and low birthrate. AEGON Sony Life Insurance sells individual variable annuity products which respond to customers' needs to help save for retirement through Sony Life's Lifeplanner channel and partner agencies, involving 21 partners including banks.*

**As of July 1, 2015*

For the years ended March 31,	2014	2015	Change
Number of new policies	28,893	**26,834**	(7.1%)
New policy amount (Millions of yen)	¥167,547	**¥163,254**	(2.6%)

As of March 31,			
Number of policies in force	38,221	**63,593**	66.4%
Policy amount in force (Millions of yen)	¥236,482	**¥390,423**	65.1%

Main Points AEGON Sony Life Insurance, which sells variable annuities, has continued to deliver steady growth. Although the new policy amount fluctuates, influenced by stock market conditions, the business scale itself has been expanding, as shown in the steady rise in the policy amount in force.

Non-life Insurance Business

SFH's non-life insurance business is conducted by Sony Assurance, a wholly owned subsidiary of SFH.

Below is a discussion of the operating performance of Sony Assurance, which operates SFH's non-life insurance business.

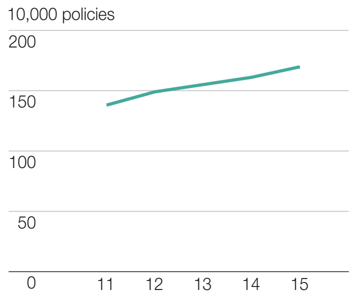
Policies in Force

10,000 policies

As of March 31,	2014	**2015**	Change
Number of policies in force (Automobile insurance + Medical and cancer insurance)	161	**170**	5.4%

Main Points The number of policies in force steadily increased, mainly for its mainstay automobile insurance.

Number of Policies in Force
(Automobile insurance + Medical and cancer insurance)
As of March 31,



Net Premiums Written

Net premiums written correspond to net sales at most non-life insurance companies and comprise the premiums received from policyholders (direct premiums written), plus or minus reinsurance premiums (adding direct reinsurance premiums received and subtracting direct reinsurance premiums paid).

Billions of yen

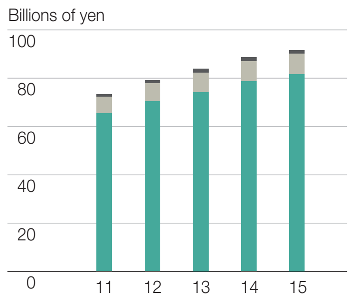
For the years ended March 31,	2014	**2015**	Change
Net premiums written	¥88.6	**¥91.7**	3.5%
Voluntary automobile insurance	78.4	**81.3**	3.7%
Personal accident insurance*	8.6	**8.8**	2.7%
Others (Fire + Marine + Compulsory automobile liability)	1.5	**1.4**	(1.4%)

Including medical and cancer insurance

Main Points Net premiums written increased due to the solid sales of automobile insurance.

Net Premiums Written
For the years ended March 31,

■ Voluntary automobile insurance
■ Personal accident insurance
■ Others (Fire + Marine + Compulsory automobile liability)



Net Loss Ratio

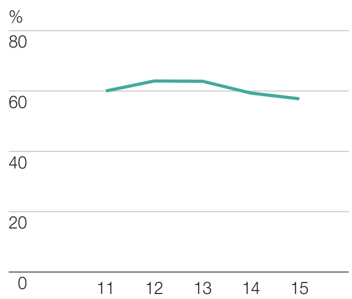
The net loss ratio describes the ratio of the total amount of insurance-claim payments (net losses paid) and damage-survey expenses (loss adjustment expenses) to net premiums written.

For the years ended March 31,	2014	**2015**	Change
Net loss ratio	59.3%	**57.6%**	(1.7pt)
Net loss ratio for automobile insurance	62.4%	**60.2%**	(2.2pt)
Net loss ratio for personal accident insurance*	27.2%	**28.7%**	1.5pt

Including medical and cancer insurance

Main Points The net loss ratio went down, due to an increase in net premiums written in automobile insurance combined with a decrease in net losses paid.

Net Loss Ratio
For the years ended March 31,



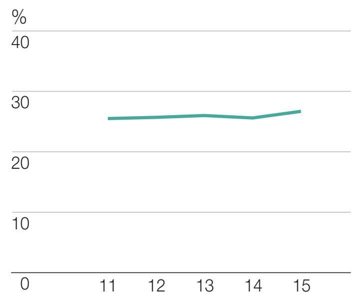
Net Expense Ratio

The net expense ratio is the ratio of the total cost for marketing and maintaining insurance to net premiums written. These expenses include company operating costs and new product development costs.

For the years ended March 31,	2014	**2015**	Change
Net expense ratio	25.6%	**26.7%**	1.1pt
Combined ratio (Net loss ratio + net expense ratio)	84.9%	**84.3%**	(0.6pt)

Main Points The net expense ratio rose, due mainly to higher system-related expenses and policy acquisition costs, along with an upward revision to the consumption tax.

Net Expense Ratio
For the years ended March 31,



Underwriting Profit

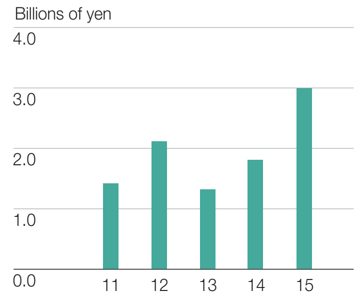
Underwriting profit indicates profit generated from underwriting insurance. Underwriting profit is calculated by subtracting from underwriting income (net premiums written, etc.) any underwriting expenses (net losses paid and loss adjustment expenses, etc.) and operating, general and administrative expenses associated with underwriting, then adding or subtracting other income and expenses (corporate taxes associated with compulsory automobile liability insurance, etc.).

Billions of yen

For the years ended March 31,	2014	**2015**	Change
Underwriting profit	¥1.8	**¥3.0**	62.4%

Main Points Underwriting profit increased, mainly due to higher net premiums written and a lower net loss ratio.

Underwriting Profit
For the years ended March 31,



Ordinary Revenues, Ordinary Profit and Net Income

Billions of yen

For the years ended March 31,	2014	**2015**	Change
Ordinary revenues	¥89.8	**¥93.0**	3.5%
Ordinary profit	3.0	**4.2**	40.1%
Net income	1.6	**2.2**	34.2%

Main Points

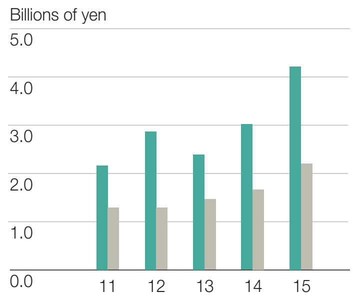
Ordinary Revenues: Ordinary revenues increased, due to an increase in net premiums written mainly in mainstay automobile insurance.

Ordinary Profit: Ordinary profit increased, benefitting from higher ordinary revenues and a lower loss ratio, led by a lower car accident ratio.

Net Income: Net income grew as a result of improved ordinary profit.

Ordinary Profit and Net Income
For the years ended March 31,

Ordinary profit
Net income



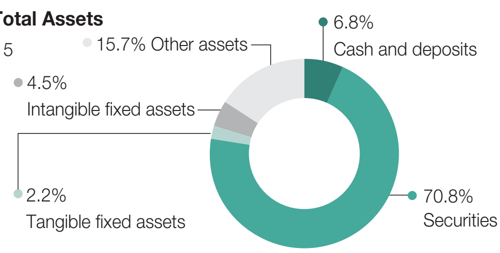
Total Asset Composition and Investment Policy

Sony Assurance's basic investment policy is to invest primarily in yen-denominated bonds to ensure stable investment returns over the medium to long term, taking into account the market environment, asset management risk and other factors.

Billions of yen

As of March 31,	2014	**2015**	Change
Total assets	¥142.7	**¥157.9**	10.7%
Cash and deposits	6.9	**10.7**	55.4%
Securities	101.2	**111.8**	10.4%
Tangible fixed assets	3.1	**3.5**	14.0%
Intangible fixed assets	8.2	**7.0**	(14.5%)
Other assets	23.1	**24.7**	6.8%

Composition of Total Assets
As of March 31, 2015
¥157.9 billion



Non-consolidated Solvency Margin Ratio

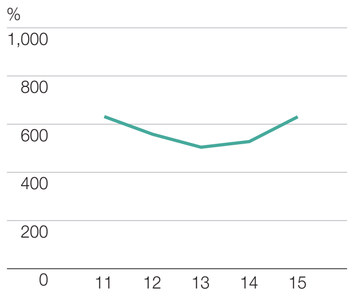
The non-consolidated solvency margin ratio is an important indicator of the ability of non-life insurers to pay claims.

As of March 31,	2014	**2015**	Change
Non-consolidated solvency margin ratio	527.6%	**629.6%**	102.0pt

Main Points The non-consolidated solvency margin ratio significantly increased year on year and remained at a sound level.

Non-consolidated Solvency Margin Ratio
(Current standards)
As of March 31,

*The figures have been calculated using the current standards applied from March 31, 2012.



Millions of yen

As of March 31,	2014	**2015**
(A) Total non-consolidated solvency margin	¥30,118	**¥36,650**
Capital or treasury	21,171	**23,389**
Reserve for price fluctuations	101	**124**
Contingency reserve	73	**82**
Catastrophe reserve	8,451	**11,344**
General reserve for possible loan losses	—	**—**
Net unrealized gains on other securities (before subtracting tax effects)	320	**1,709**
Net unrealized gains on real estate	—	**—**
Excess refund reserve	—	**—**
Subordinated debt	—	**—**
The portion of the excess refund reserve and subordinated debt that is not included in the margin	—	**—**
Deductible items	—	**—**
Others	—	**—**
(B) Total non-consolidated risk $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	11,416	**11,641**
Ordinary insurance risk (R_1)	10,386	**10,465**
Third-sector insurance risk (R_2)	—	**—**
Assumed interest rate risk (R_3)	77	**86**
Asset management risk (R_4)	662	**1,101**
Business management risk (R_5)	353	**371**
Major catastrophe risk (R_6)	649	**737**
(C) Non-consolidated solvency margin ratio [(A)/{(B)x(1/2)}] x 100	527.6%	**629.6%**

Note: The above figures are calculated based on provisions in Articles 86 (non-consolidated solvency margin) and 87 (non-consolidated risk) of the Ordinance for Enforcement of the Insurance Business Act of Japan and the Ministry of Finance Public Notice No. 50 (1996).

Non-performing Assets

Sony Assurance's self-assessment indicates its assets are sound, as shown below.

Risk-monitored Loans

Millions of yen

As of March 31,	2014	**2015**
Category		
Bankrupt loans	¥—	**¥—**
Non-accrual delinquent loans	—	**—**
Past-due loans (3 months or more)	—	**—**
Restructured loans	—	**—**
Total	¥—	**¥—**

Loans by Borrower Category

Millions of yen

As of March 31,	2014	**2015**
Category		
Bankrupt and quasi-bankrupt loans	¥—	**¥—**
Doubtful loans	—	**—**
Sub-standard loans	—	**—**
Normal loans	—	**—**
Total	¥—	**¥—**

Banking Business

SFH's banking business comprises Sony Bank, a wholly owned subsidiary of SFH; Sony Payment Services,* a 57%-owned subsidiary of Sony Bank; and SmartLink Network Hong Kong Limited,** a wholly owned subsidiary of Sony Payment Services.

*On April 1, 2015, SmartLink Network, Inc. changed its name to Sony Payment Services Inc.
**SmartLink Network Hong Kong Limited is included under the scope of consolidation from the fourth quarter of fiscal 2013.

Consolidated

Consolidated Ordinary Revenues, Ordinary Profit and Consolidated Net Income

			Billions of yen
For the years ended March 31,	2014	**2015**	Change
Consolidated ordinary revenues	¥36.4	**¥38.4**	5.3%
Consolidated ordinary profit	5.6	**7.3**	30.0%
Consolidated net income	3.4	**4.5**	32.9%

*Please see the note on page 27 for information regarding consolidated ordinary revenues for fiscal 2013.

Main Points

Consolidated Ordinary Revenues: Sony Bank's consolidated ordinary revenues increased year on year, achieving a record high, due mainly to higher revenues associated with foreign currency-related transactions and mortgage loans.

Consolidated Ordinary Profit: Sony Bank's consolidated ordinary profit increased year on year, also achieving a record high, due to higher profit associated with bond-dealing transactions, in addition to the increase in consolidated ordinary revenues.

Consolidated Net Income: Sony Bank's consolidated net income achieved a record high, supported by higher ordinary profit.

Non-consolidated

Sony Bank accounts for nearly all of SFH's banking business. A discussion of the operating performance of Sony Bank (non-consolidated) is presented below.

Gross Operating Profit

Gross operating profit represents the total income from the four components of income from banking services: net interest income, net fees and commissions, net trading income, and net other operating income. It is equivalent to the gross profit (sales minus costs) of companies and an indicator of the amount of profit a bank generates from its main services.

Net interest income refers to the spread between investment returns such as interest received on loans, securities, and other items, and funding costs, including interest paid on deposits. Sony Bank uses the deposits received from customers primarily to provide mortgage loans and invest in securities.

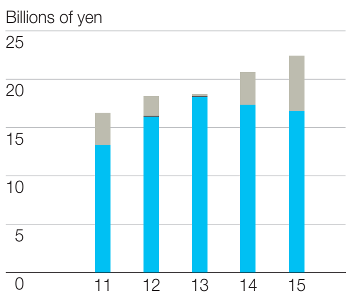
Net fees and commissions refers to the spread between the fees and commissions received from mortgage loans, the securities trading of customers, domestic and foreign exchanges and other operations, and the fees and commissions paid for ATM usage, domestic and foreign exchanges and other operations.

Net other operating income refers to income from operations not included in net interest income or net fees and commissions. This includes gains and losses on foreign exchange trading; gains and losses on sale and purchase of bonds, including government bonds; and, gains and losses on swaps and other financial derivatives held as hedges for securities and other investments.

			Billions of yen
For the years ended March 31,	2014	**2015**	Change
Gross operating profit	¥20.7	**¥22.5**	8.8%
Net interest income	17.3	**16.6**	(3.7%)
Net fees and commissions	(0.0)	**0.0**	—
Net other operating income	3.4	**5.8**	70.4%

Gross Operating Profit

For the years ended March 31,



Main Points Sony Bank achieved a record-high gross operating profit, due to an improvement in net gains on the sale of bonds and other bond-dealing transactions, along with an increase in revenues associated with foreign currency-related transactions (gains on foreign exchange transactions), in addition to an increase in revenues associated with mortgage loans.

Net Interest Income: Net interest income decreased, due partially to lower interest income associated with the investment in securities resulting from a decline in the market interest rate.

Net Other Operating Income: Net other operating income increased because of an improvement in net gains on the sale of bonds and other bond-dealing transactions, along with higher gains on foreign exchange transactions.

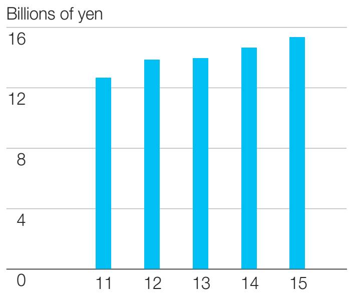
General and Administrative Expenses

For the years ended March 31,	2014	**2015**	Change
			Billions of yen
General and administrative expenses	¥14.6	**¥15.3**	4.5%

Main Points General and administrative expenses rose, mainly due to higher personnel expenses in step with business expansion.

General and Administrative Expenses

For the years ended March 31,



Ordinary Revenues, Ordinary Profit and Net Income

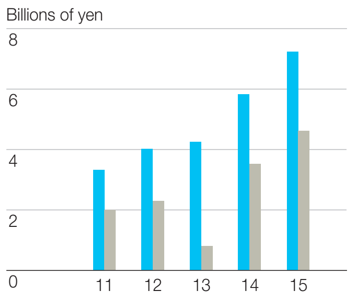
For the years ended March 31,	2014	**2015**	Change
			Billions of yen
Ordinary revenues	¥33.9	**¥35.7**	5.1%
Ordinary profit	5.8	**7.2**	24.9%
Net income	3.5	**4.6**	29.3%

**Please see the note on page 2 for information regarding ordinary revenues for fiscal 2013.*

Ordinary Profit and Net Income

For the years ended March 31,

■ Ordinary profit
■ Net income



Main Points Ordinary revenues, ordinary profit and net income all achieved record highs, due to the same reasons stated in the consolidated operating results.

Ordinary Revenues: Ordinary revenues increased due mainly to higher revenues associated with foreign currency-related transactions and mortgage loans.

Ordinary Profit: Ordinary profit expanded year on year, due to higher gains on bond-dealing transactions, in addition to the increase in ordinary revenues.

Net Income: Net income grew due to higher ordinary profit.

Number of Accounts

As of March 31,	2014	**2015**	Change
			10,000 accounts
Number of accounts	97	**105**	8.0%

Main Points The number of customer accounts steadily increased, partially because Sony Life's Lifeplanner sales employees have been handling account-opening operations since May 2014.

Customer Assets (Total of Deposits and Investment Trusts)

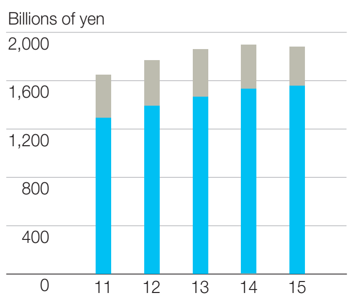
As of March 31,	2014	**2015**	Change
			Billions of yen
Customer assets (Total of deposits and investment trusts)	¥2,007.5	**¥2,007.9**	0.0%

As of March 31,	2014	**2015**	Change
			Billions of yen
Deposit balance	¥1,890.0	**¥1,878.2**	(0.6%)
Yen deposits	1,526.4	**1,551.0**	1.6%
Foreign currency deposits	363.5	**327.2**	(10.0%)
Investment trust balance	117.4	**129.6**	10.4%

Deposit Balance

As of March 31,

■ Yen deposits
■ Foreign currency deposits



Main Points

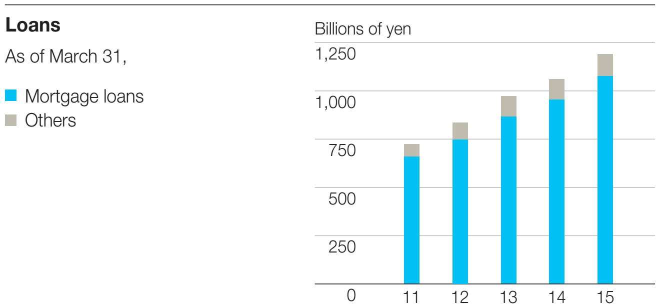
Yen Deposits: Yen deposits increased, as foreign currencies were increasingly converted into yen.

Foreign Currency Deposits: The foreign currency deposit balance decreased due to the shift toward yen deposits paralleling the yen's further drop in foreign exchange markets.

Investment Trusts: The balance of investment trusts increased due partially to a rise in net asset value. Sales to customers also grew reflecting the booming stock market.

Loans

As of March 31,	2014	2015	Change
			Billions of yen
Loans	¥1,057.4	**¥1,187.1**	12.3%
Mortgage loans	949.3	**1,074.3**	13.2%
Others	108.1	**112.8**	4.3%



Main Points The balance of loans increased, mainly due to the growth in the balance of mortgage loans, which recorded the highest amount of annual execution on the back of the declining interest rate.

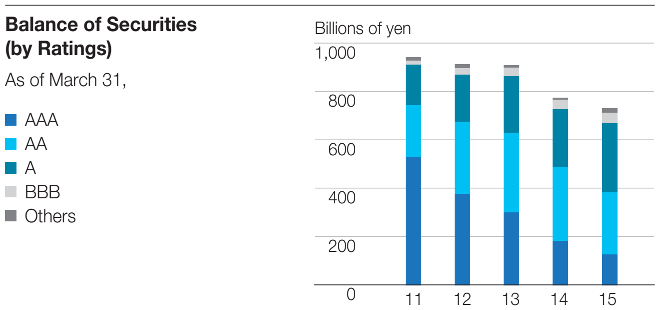
The balance of the mortgage loan business, despite intensifying competition to reduce lending rates, steadily increased, exceeding the one trillion yen mark. This was due to the effect of a higher discount rate since August 2014, applied based on the percentage of personal funds, in addition to an increase in new loans thanks to enhanced relationships with alliance partners such as real estate developers.

The "Others" balance includes corporate loans, card loans and special-purpose loans. The corporate loan balance stood at ¥107.5 billion as of March 31, 2015.

Securities

Sony Bank's securities investments consist of investments with interest rate risk, mainly Japanese government bonds, and investments with credit risk, mainly investment-grade corporate bonds.

As of March 31,	2014	2015	Change
			Billions of yen
Balance of securities	¥773.8	**¥730.0**	(5.7%)
Japanese government bonds	96.8	**82.8**	(14.4%)
Japanese municipal bonds	56.7	**56.6**	(0.2%)
Japanese corporate bonds	159.5	**107.7**	(32.5%)
Japanese stocks	2.0	**2.0**	0.0%
Foreign securities	455.0	**476.1**	4.6%
Other securities	3.5	**4.5**	27.9%

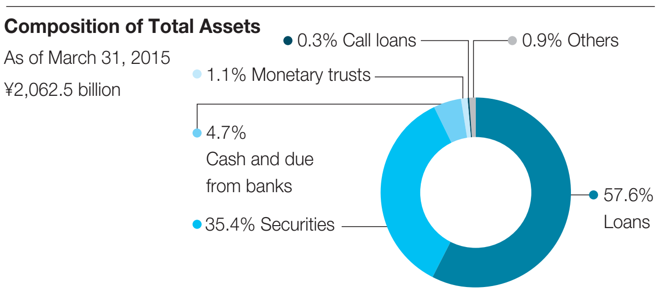


Main Points With respect to the ratings of the securities* held by Sony Bank, securities rated AA or above accounted for 52.5% of the total. The ¥2.0 billion in Japanese stocks represents the company's investment stake in Sony Payment Services.

**Sony Bank uses the Basel III standardized approach and classifies its securities based on ratings by five rating agencies: Moody's Investors Service, Standard & Poor's, Rating and Investment Information, Japan Credit Rating Agency and Fitch Ratings.*

Total Asset Composition

As of March 31,	2014	2015	Change
			Billions of yen
Total assets	¥2,056.7	**¥2,062.5**	0.3%
Loans	1,057.4	**1,187.1**	12.3%
Securities	773.8	**730.0**	(5.7%)
Cash and due from banks	171.2	**96.9**	(43.4%)
Monetary trusts	20.4	**23.5**	15.0%
Call loans	6.0	**6.0**	0.0%



Main Points Sony Bank's total assets were on a par with the level recorded in the previous fiscal year due to decreases in securities and cash and due from banks, despite an increase in loan assets.

Non-consolidated Capital Adequacy Ratio

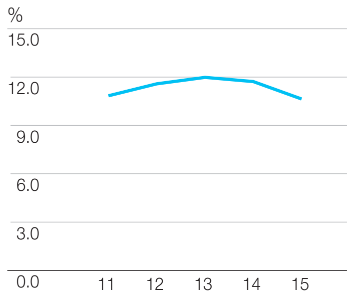
The capital adequacy ratio is an important indicator of a bank's financial soundness. From March 31, 2014, Sony Bank calculates its capital adequacy ratio* based on Basel III.

As of March 31,	2014	**2015**	Change
Non-consolidated capital adequacy ratio (Domestic criteria)	11.72%	**10.65%**	(1.07pt)

**Please refer to the note below for information on the application of the Basel III framework.*

Main Points Sony Bank continuously maintains a sound financial position.

Non-consolidated Capital Adequacy Ratio
(Domestic criteria)
As of March 31,



Sony Bank's Non-consolidated Capital Adequacy Ratio (Domestic criteria)

Millions of yen

As of March 31,	2014	2014 Amounts excluded under transitional measures	**2015**	2015 Amounts excluded under transitional measures
Core capital: instruments and reserves				
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 68,091		**¥72,715**	
Of which: Capital and capital surplus	52,000		**52,000**	
Of which: Retained earnings	16,091		**20,715**	
Total reserves factored into core capital: instruments and reserves	790		**595**	
Of which: General reserve for loan losses including core capital	790		**595**	
Eligible non-cumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	20,000		**18,000**	
Core capital: instruments and reserves (A)	88,881		**91,310**	
Core capital: regulatory adjustments				
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	—	¥1,768	**397**	**¥1,588**
Of which: Other intangibles other than those relating to goodwill and mortgage servicing rights	—	1,768	**397**	**1,588**
Core capital: regulatory adjustments (B)	—		**397**	
Capital				
Capital ((A)-(B)) (C)	88,881		**90,913**	
Risk-weighted assets				
Total amount of credit risk-weighted assets	720,454		**813,951**	
Of which: Total amount included in risk-weighted assets by transitional measures	(27,892)		**(35,339)**	
Of which: Intangible assets (excluding those relating to goodwill and mortgage servicing rights)	1,768		**1,588**	
Of which: Exposure to other financial institutions	(29,661)		**(36,928)**	
Amount obtained by dividing total sum of operational risk equivalent amounts by 8%	37,483		**39,250**	
Total amount of risk-weighted assets (D)	757,937		**853,202**	
Capital adequacy ratio				
Capital adequacy ratio ((C) / (D)) (%)	11.72		**10.65**	

Note: The non-consolidated capital adequacy ratio was calculated using the standard set forth in Notification No. 19 (2006), issued by Japan's Financial Services Agency (FSA) regarding the method for determining capital adequacy of a bank in light of the assets held by the bank, in accordance with Article 14-2 of the Banking Act of Japan. But for credit risk-weighted assets, the company applies a standard based on domestic criteria. Also, since fiscal 2013, ended March 31, 2014, the company has applied FSA Notification No. 6 (2013) and Notification No. 7 (2014).

Non-performing Assets

Sony Bank strives for small-loan diversification in its lending to individuals, screens potential borrowers based on prescribed credit screening standards, and manages loans after they have been granted. In lending to corporate customers, Sony Bank sets maximum loan limits according to customer credit and adheres to standards that prevent excessive lending to particular borrowers. The sales division also works independently of the screening division, and the company ensures that financing proceeds only following due diligence via relevant deliberative entities. In addition, the company has established a meticulous loan management and screening system.

Risk-monitored Loans

Millions of yen

As of March 31,	2014	**2015**
Category		
Bankrupt loans	¥ 308	**¥ 207**
Non-accrual delinquent loans	1,403	**1,430**
Past-due loans (3 months or more)	—	**—**
Restructured loans	1,880	**1,715**
Total	¥3,592	**¥3,353**

Problem Loans Based on the Financial Reconstruction Law

Millions of yen

As of March 31,	2014	**2015**
Category		
Bankrupt and quasi-bankrupt loans	¥ 847	**¥ 744**
Doubtful loans	980	**899**
Sub-standard loans	1,882	**1,716**
Normal loans	1,064,528	**1,186,701**
Total	¥1,068,238	**¥1,190,062**

Main Points Sony Bank has consistently maintained low levels of non-performing loans.

Non-performing Loan Ratio*
(Loans disclosed under the Financial Reconstruction Law)

As of March 31,	2014	**2015**	Change
Non-performing loan ratio	0.35%	**0.28%**	(0.07pt)

**Non-performing loans (loans based on the Financial Reconstruction Law) / Total loan exposure*

Contributions to Sustainable Development

Corporate Governance | CSR

Executive Profiles

(As of July 1, 2015)

Directors 8. 3. 2. 7.

5. 1. 4.

President, Representative Director

1. Katsumi Ihara

[In charge of Auditing]

Chairman, Director, Sony Life Insurance Co., Ltd.

Director, Sony Assurance Inc.

Director, Sony Bank Inc.

Executive Vice President, Representative Director

2. Shigeru Ishii

[In charge of Corporate Planning, Corporate Control and Human Resources & General Affairs]

Director, Sony Life Insurance Co., Ltd.

Director, Sony Assurance Inc.

Director, Sony Bank Inc.

Managing Director

3. Hiroaki Kiyomiya

[In charge of Corporate Communications & Investor Relations and Accounting]

Director, Sony Life Insurance Co., Ltd.

Director, Sony Assurance Inc.

Director, Sony Bank Inc.

Director, Sony Lifecare Inc.

Directors

4. Tomoo Hagimoto

President, Representative Director, Sony Life Insurance Co., Ltd.

5. Yutaka Ito

President, Representative Director, Sony Bank Inc.

6. Atsuo Niwa

President, Representative Director, Sony Assurance Inc.

7. Shiro Kambe

EVP (Note 3), Corporate Executive Officer, Sony Corporation

Notes: 1. Responsibilities of each SFH director are in brackets.
2. Main concurrent positions are shown under the name of each individual.
3. EVP stands for executive vice president.
4. Isao Yamamoto and Shiro Kuniya are deemed Independent Directors based on Tokyo Stock Exchange regulations.
5. Outside Directors and Outside Statutory Auditors are in accordance with the Companies Act of Japan.

9.

Statutory Auditors

11.

12.

6.

13.

10.

Directors (Outside)

8. Isao Yamamoto (Note 4)

President, Enterprising Investment, Inc.

9. Shiro Kuniya (Note 4)

Managing Partner,
Oh-Ebashi LPC & Partners

Standing Statutory Auditor (Outside)

10. Yasuyuki Hayase

Statutory Auditor, Sony Life Insurance Co., Ltd.

Statutory Auditor, Sony Assurance Inc.

Statutory Auditor, Sony Bank Inc.

Statutory Auditor (Outside)

12. Yoshimichi Makiyama

Partner, Kitamura & Makiyama (law office)

Statutory Auditor (Outside)

11. Hirotoshi Korenaga

Senior General Manager,
Global Accounting Division,
Sony Corporate Services (Japan) Corporation

Statutory Auditor

13. Mitsuhiro Koizumi

Standing Statutory Auditor,
Sony Life Insurance Co., Ltd.

A Message from the Outside Director

Isao Yamamoto
Outside Director

As an independent outside director, I will be committed to enhancing the quality of decision making of the Board of Directors in order to maximize our corporate value.

"Innovations spring up from the conflict between common sense and anti-common sense" is an expression coined by Mr. Masaru Ibuka, co-founder of Sony Corporation. One of the roles of an outside director, I believe, is to challenge the common sense prevailing within a company, and within an industry. I strive to provide SFH with an external point of view, capitalizing on my experience in a career related to capital markets. I recognize that it is an important role of an independent outside director to check for conflicts of interest (those between the Company and inside directors, as well as those between the major shareholder and minority shareholders). At SFH, in particular, minority shareholders' interests must be appropriately considered, in view of the presence of Sony Corporation, a shareholder controlling about 60% of our shares.

I was particularly impressed by the discussions concerning the dividend policy at the meetings of the Board of Directors in the past year. I witnessed an open-minded exchange of opinions from various points of view, such as on short to medium-term earnings forecasts, a flexible stance toward growth opportunities, and effects on the adequate pricing of shares in the Company on the stock market, in view of the possibility of heightened volatility in our business environment in future. I am pleased that the Company, through such discussions, has come to the conclusion that "growth along with an increase in dividends" should be our policy.

Along with promoting ongoing expansion strategies in the nursing care business, the Company must accelerate its efforts to adapt to changes in the medium- to long-term business environment, including the exit from a new phase of monetary easing, and the expected long-term decline of spending power in Japan in the early 2020s. As an independent outside director, I am determined to contribute to improving the quality of the decision making of the Board of Directors, with a view to maximizing our corporate value over the medium- to long-term through good risk taking.

Profiles of Outside Directors

(As of July 1, 2015)

Isao Yamamoto

Biography	1981	Joined Nomura Research Institute, Ltd.
	1991	Head of Strategic Advisory Group, Nomura Research Institute, Ltd.
	1996	Director, Investment Banking Division, Merrill Lynch Japan Securities Co., Ltd.
	1999	Managing Director, Investment Banking Division, Merrill Lynch Japan Securities Co., Ltd.
	2002	Co-head of Investment Banking Division, Managing Director, Merrill Lynch Japan Securities Co., Ltd.
	2003	President & CEO, The Institute for Securities Investments & Governance
	2006	Director, Japan CableCast Inc.
		Statutory Auditor, MASSTUNE, Inc. (current: MINKABU, Inc.)
	2007	Director, MASSTUNE, Inc. (current: MINKABU, Inc.) (current position)
	2009	President, Enterprising Investment, Inc. (current position)
	2011	Director, SFH (current position)
	2012	Director, BILCOM, Inc. (current position)
Reasons for Appointment		Mr. Yamamoto possesses many years of experience as a securities analyst and an advisor on corporate financial affairs and M&As, and has no conflict of special interest with SFH. Accordingly, SFH has determined that Mr. Yamamoto can properly fulfill the duties of an outside director and independent director.

Shiro Kuniya

Biography	1982	Registered as attorney Joined Oh-Ebashi Law Offices (current: Oh-Ebashi LPC & Partners)
	1997	Audit & Supervisory Board Member, Sunstar Inc.
	2002	Managing Partner, Oh-Ebashi LPC & Partners (current position)
	2006	Audit & Supervisory Board Member, Nidec Corporation
	2012	Director, NEXON Co., Ltd. (current position)
		Director, Ebara Corporation (current position)
	2013	Director, SFH (current position)
		Corporate Auditor, Takeda Pharmaceutical Company Limited (current position)
Reasons for Appointment		Mr. Kuniya has specialized knowledge and experience as an attorney and has no conflict of special interest with SFH. Accordingly, SFH has determined that Mr. Kuniya can properly fulfill the duties of an outside director and independent director.

A Message from the Outside Statutory Auditor

Yasuyuki Hayase
Standing Statutory Auditor

As an outside statutory auditor, I will strive to oversee management in order to fulfill the responsibilities I was entrusted with by shareholders, and for the protection of policyholders and depositors.

I have been lately appointed as a standing outside auditor. SFH, as a financial services group, encompasses the business operations of Sony Life, Sony Assurance and Sony Bank, all of which achieve a high level of customer satisfaction, and posted the highest ever Group consolidated net income in the previous fiscal year. SFH also maintains a superior level of soundness, as demonstrated by the current solvency margin ratio in the life and non-life insurance business and capital adequacy ratio in the banking business.

I believe such excellent performance has been supported by the unique and innovative business models, access channels to customers and appropriate portfolio management. Thus, it is critical to continually monitor for any possibility of devaluation, an increase in risks, or for any failure to meet compliance requirements in a financial business environment that is currently undergoing significant and rapid changes. Keeping firmly in mind the philosophy and principles to be upheld, as well as the challenges to be tackled, I will do my best to ensure governance that can promptly, appropriately and accurately respond to the ever-changing business environment.

Since I have long been working in the financial industry, engaging in risk management, investment and loan management, and study and research relating to financial business operations and financial systems, I would like to capitalize on such experience in the auditing of the management decision-making bodies, such as the Board of Directors and Executive Committee. Furthermore, in order to fulfill my responsibility to shareholders, and for the protection of policyholders and depositors, I will capitalize on my experience as manager of a credit card business as well as banking operations to fulfill my management oversight role.

Profiles of Outside Statutory Auditors

(As of July 1, 2015)

Yasuyuki Hayase

Biography	1980	Joined Mitsui Bank Corporation (current: Sumitomo Mitsui Banking Corporation)
	1999	Group Leader, Credit Planning Department, Mitsui Bank Corporation
	2001	Deputy General Manager, Head Office Business Department 1, Sumitomo Mitsui Banking Corporation
	2002	Deputy General Manager, Head Office Business Department 3, Sumitomo Mitsui Banking Corporation
	2003	General Manager, Kumamoto Corporate Business Office, Sumitomo Mitsui Banking Corporation
	2005	General Manager, Mitadori Corporate Business Office, Sumitomo Mitsui Banking Corporation
	2007	General Manager, Credit & Investment Planning Department, Sumitomo Mitsui Banking Corporation
	2010	Corporate Auditor, Sumitomo Mitsui Banking Corporation
	2012	President & CEO, Sakura Card Co., LTD.
	2015	Standing Statutory Auditor, SFH (current position)
		Statutory Auditor, Sony Life Insurance Co., Ltd. (current position)
		Statutory Auditor, Sony Assurance Inc. (current position)
		Statutory Auditor, Sony Bank Inc. (current position)
Reasons for Appointment		Mr. Hayase possesses many years of experience at a financial institution, and as a standing statutory auditor there. Accordingly, SFH has determined that Mr. Hayase will take advantage of this professional experience to fulfill his role as outside statutory auditor.

Yoshimichi Makiyama

Biography	1990	Registered as attorney, Japan Joined Showa Law Office (current: Jones Day Law Office)
	1995	Joined Mitsui, Yasuda, Wani & Maeda (law office)
	1999	Registered as attorney, New York, U.S.A.
	2000	Joined Microsoft Asia Limited (Law & Corporate Affairs)
	2004	Registered as patent attorney, Japan
	2006	Joined TMI Associates (law office)
	2013	Partner, Kitamura & Makiyama (law office) (current position)
	2015	Statutory Auditor, SFH (current position)
Reasons for Appointment		Mr. Makiyama qualified as an attorney and patent attorney in Japan and as an attorney in the state of New York, with expertise in many areas including information security and compliance, and has a breadth of professional experience both at home and abroad. Accordingly, SFH has determined that Mr. Makiyama will draw on this professional experience to fulfill his role as outside statutory auditor.

Hirotoshi Korenaga

Biography	1988	Joined Sony Corporation
	2007	Deputy General Manager, Planning and Administration Department, Accounting Division, Sony Corporation
	2008	Deputy General Manager, Consolidation Accounting Department, Accounting Division, Sony Corporation
	2012	General Manager, Accounting Department 1, Accounting Division, Sony Corporation
	2013	Statutory Auditor, SFH (current position)
	2014	General Manager, Accounting Department 1, Accounting Division, Sony Corporation
	2015	Senior General Manager, Global Accounting Division, Sony Corporate Services (Japan) Corporation (current position)
Reasons for Appointment		Mr. Korenaga has extensive knowledge about finance and accounting acquired over many years of working in accounting at Sony Corporation. Accordingly, SFH has determined that Mr. Korenaga will use his professional experience to fulfill his role of outside statutory auditor.

Note: The conditions applicable to an outside statutory auditor changed with the revision of the Companies Act of Japan, but Mr. Korenaga satisfies the prevailing conditions applicable to an outside statutory auditor until the conclusion of the Ordinary General Meeting of Shareholders planned for June 2016.

Basic Stance on Corporate Governance

The Sony Financial Group (hereafter, "the Group") positions its corporate vision and corporate philosophy as the basic policy for formulating management strategies and decision making. The Group's corporate vision is to become the most highly trusted financial services group by customers. To achieve this objective, SFH makes effective use of the business characteristics and information available within the Group, based on an understanding of the differences in the history, scale of operations, business models and other attributes of each Group company. The goal is to conduct integrated management of the entire Group. Above all, this goal is premised on ensuring the financial soundness and appropriateness of business activities. Indeed, management sees this task as a top priority. Accordingly, the organizational framework has been built with an emphasis on Groupwide compliance and risk management.

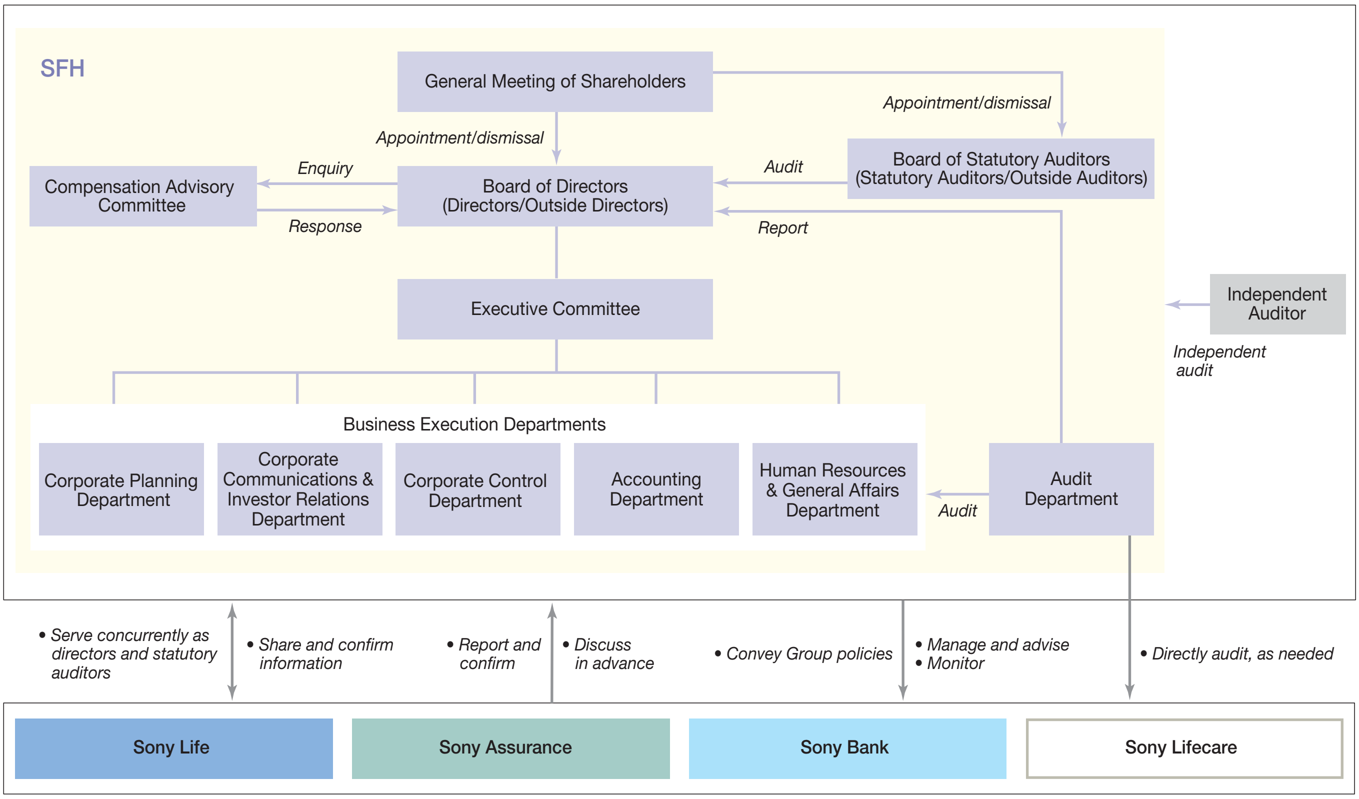
Establishing an Internal Control System

SFH's Board of Directors formulated a Basic Policy on Establishing an Internal Control System in compliance with the Companies Act of Japan and associated enforcement regulations to ensure the appropriateness of Group business activities. SFH implemented and maintains an internal control system in line with this policy.

The basic policy was partially revised and approved at the Board of Directors' meeting taking into account the revised Companies Act of Japan and the associated enforcement of regulations promulgated on May 1, 2015. (The revisions include specifying a structure for ensuring the appropriateness of the Group's business activities, as well as enhancing and specifying structures to support auditing and for the gathering of information by auditors.)

SFH introduced its Internal Control and Financial Reporting System in accordance with the Financial Instruments and Exchange Act of Japan, with the aim of strengthening internal controls governing financial reporting. As a listed company, SFH put in place and maintains the necessary organizational system and operational rules for disclosing proper financial information.

Sony Financial Group's Internal Control (As of July 1, 2015)



Basic Policy on Establishing an Internal Control System

1. System to ensure that the execution of duties by directors and employees complies with laws and with the Articles of Incorporation

i. The Board of Directors establishes a code of conduct as a basic policy for compliance and makes this code clear to SFH's executives, employees and subsidiaries.
ii. The Board of Directors creates a compliance manual that provides specific compliance guidelines and a compliance program that defines specific plans.
iii. The Board of Directors creates a compliance supervisory department to promote its compliance program. The compliance supervisory department regularly reports to the Board of Directors on the progress of the compliance program.
iv. The Board of Directors formulates the Basic Group Policy on Eradicating Anti-social Forces. This policy describes the firm stance the Group takes to counter anti-social forces and build the structure necessary to fulfill this policy.
v. The Board of Directors establishes an internal hotline system and informs SFH's executives, employees and subsidiaries about the system. This system allows employees or others who become aware of business policies, operations or other activities that contravene (or are in danger of contravening) laws and regulations to report directly to a hotline desk. The system prohibits any action from being taken against employees or others who provide such notification.
vi. The Board of Directors creates the Group Information Security Policies and streamlines a structure to properly control Group information assets, including customer information.
vii. The Board of Directors creates the Conflicts of Interest Policy within the Group and ensures that the necessary formats are in place to properly control transactions which have the potential to harm the interests of customers.
viii. The Board of Directors establishes an internal audit supervisory department, which is independent from other operating departments. The internal audit supervisory department liaises and cooperates with the statutory auditors and the accounting auditor; monitors and verifies, from an independent and objective viewpoint, the implementation and operational status of the internal control system; and reports regularly to the Board of Directors the status of internal audits.
ix. The Board of Directors formulates the Basic Policy Related to the Group's Internal Audits as well as Regulations on Internal Audits, and informs SFH's executives and employees and subsidiaries of these.

2. System for storing and managing information related to the execution of duties by directors

SFH establishes the Record-keeping Regulations to ensure that documents pertaining to the execution of duties by directors, such as records of decisions at Board of Directors and Executive Committee meetings, are appropriately stored and managed in accordance with these laws and regulations.

3. System of regulations related to risk management

i. The Board of Directors formulates the Fundamental Principles for Risk Management Activities as a basic policy on Group risk management and informs SFH's executives, employees and subsidiaries of these.
ii. The Board of Directors establishes a risk management supervisory department to manage risks appropriately for SFH and its subsidiaries, in accordance with each entity's scale, characteristics and business model. This department reports regularly to the Board of Directors on the status of risk management.
iii. The Board of Directors evaluates the capital adequacy of subsidiaries to ensure that their levels of capitalization are sufficient in light of the risks the Group directly faces and to implement appropriate capital allocations. If necessary, the Board of Directors takes measures designed to strengthen capital bases.
iv. The Board of Directors creates the Basic Policy Related to Group Business Continuity Risk Management, as well as contingency plans, to build a structure that enables the Group to respond rapidly to a crisis and put in place measures to minimize the impact of these risks. The Board of Directors makes these plans known to SFH's executives, employees and subsidiaries.

4. System to ensure the efficient execution of duties by directors

i. The Board of Directors establishes approval regulations, organizational and task-sharing regulations and other internal rules, and creates an appropriate structure for the efficient execution of duties.
ii. The Board of Directors sets up an executive committee and delegates to this committee the discussion and decision-making authority regarding execution of important corporate day-to-day business activities.
iii. The Board of Directors establishes the Business Plan Control Regulations, formulates and executes non-consolidated and consolidated medium-term business plans and annual business plans, and regularly confirms progress on business plans.

5. **System to ensure reliability of financial reports**
   SFH maintains the necessary system to ensure reliability of financial reports, in accordance with the Basic Policy Regarding Group Financial Reporting.

6. **System to ensure the appropriateness of operations at SFH and the corporate group, including SFH's parent company and subsidiaries**

i. In addition to exercising shareholder rights as a financial holding company, SFH makes management control agreements with its subsidiaries, under which SFH manages subsidiaries by requiring them to comply with the Groupwide Basic Policy and to report and obtain prior approval of SFH on matters necessary for ensuring the appropriateness of operations of the Group, including subsidiaries.
ii. Based on its Basic Policy on the Management of Transactions within the Group, SFH deliberates and examines the appropriateness and compliance of intra-Group transactions with subsidiaries that have the potential to significantly impact the operations of the Group before commencement of those transactions. Such issues are resolved at or reported to the Board of Directors. In addition, to protect minority interests, when conducting transactions with parent company Sony Corporation (controlling shareholder) and its group companies, SFH and its subsidiaries duly confirm that these transactions are necessary and that they are entered into under conditions that are not conspicuously divergent from those of typical transactions with third parties.
iii. SFH's Audit Department takes responsibility for ensuring that subsidiaries have appropriate internal control systems in place and monitors and verifies the results of internal and third-party audits of subsidiaries.
iv. SFH and its subsidiaries submit management information about the Group as needed to SFH's parent company and interact with the parent company's internal audit supervisory department.

7. **Items pertaining to employees who are requested to assist statutory auditors in their duties**
   If directors receive requests from statutory auditors for employees to be allocated to assist them in their duties, the directors assign such personnel without delay.

8. **Independence from directors of employees assigned to assist statutory auditors referred to in 7 above**

i. Statutory auditors must agree to the appointment, removal and evaluation of employees assigned to assist them in their duties.
ii. Employees assigned to assist statutory auditors in their duties must exclusively follow the instructions and directives of statutory auditors, once they are given.

9. **System for directors and employees to report to statutory auditors, and other reporting systems**

i. If directors or employees are requested to provide reports regarding the execution of their business to statutory auditors, they must do so immediately.
ii. If directors or employees discover a fact that could significantly affect the operations or financial condition of SFH or its subsidiaries, they must report such discovery to statutory auditors immediately. No actions may be taken against persons providing such reports, while the information provided via such report shall be shared among SFH's executives, employees and subsidiaries.
iii. If directors or employees receive notification via the internal hotline system, they must report immediately to the statutory auditors.

10. **Other systems to ensure the effectiveness of audits by statutory auditors**

i. Representative directors endeavor to forge and deepen relationships with statutory auditors based on mutual understanding and trust by creating an environment that facilitates audits by statutory auditors.
ii. When statutory auditors request, SFH shall pay expenses or discharge obligations attendant to requests for counsel, studies, expert opinion or other activities by attorneys, certified public accountants or other outside specialists for the execution of statutory auditors' duties, unless SFH proves that such activities were not necessary to their execution.

Management System

SFH has adopted the director system and the statutory auditor system. The Company appoints outside directors who work with statutory auditors to supervise management, thereby strengthening corporate governance.

Note: SFH prepares and discloses a Corporate Governance Report and Information Pertaining to Controlling Shareholders in accordance with the regulations of the Tokyo Stock Exchange. These documents can be viewed on the Tokyo Stock Exchange's or SFH's website (http://www.sonyfh.co.jp/index_en.html).

Board of Directors

(As of July 1, 2015)

SFH, as a pure holding company, maintains a Board of Directors not only to manage SFH itself, but also to promote integrated Group management and to ensure the Group's corporate governance.

SFH's Board of Directors is made up of nine members. In addition to three executive directors, there are three representative directors from SFH's subsidiaries who serve as non-executive directors of SFH and contribute to efficient business operations of the Group as a whole.

Additionally, to obtain general management advice applicable to the Group, SFH has appointed directors from outside the Group, one of whom serves concurrently as a Corporate Executive Officer of Sony, the parent company. Because SFH is the subsidiary of a listed parent company, it has appointed two outside directors who are independent directors as required by the Tokyo Stock Exchange to protect ordinary shareholders.

Regarding the boards of directors of Group subsidiaries, two of SFH's representative directors and one of its executive directors serve concurrently as directors of subsidiaries with the aim of increasing the effectiveness of Group strategies and ensuring the sound business management of each company.

Attendance of outside directors and outside statutory auditors in meetings of the Board of Directors and the Board of Statutory Auditors for fiscal 2014

	Name	Board of Directors' meeting	Board of Statutory Auditors' meeting
Outside directors	Isao Yamamoto	Attended all 15 meetings	—
	Shiro Kuniya	Attended 13 out of 15 meetings	—
Outside statutory auditors	Hiroshi Sano	Attended all 15 meetings	Attended all 11 meetings
	Hirotoshi Korenaga	Attended 14 out of 15 meetings	Attended 10 out of 11 meetings

Statutory Audits, Internal Audits and Accounting Audits

(As of July 1, 2015)

Statutory Audits

SFH's Board of Statutory Auditors has four members, three of whom are outside statutory auditors. Statutory auditors audit the execution of duties by directors based on the audit policy, audit plan, audit methodology and assignment of audit duties stipulated by the Board of Statutory Auditors.

Statutory auditors attend important meetings, including Board of Directors' meetings, review the details of reports received from directors, key personnel and other persons, and examine SFH's operations and financial condition. At the same time, statutory auditors maintain close contact with outside directors and the director and employees in charge of internal audits to enhance the supervisory function with respect to corporate management.

Internal Audits

SFH performs internal audits through its Audit Department. The Audit Department reports directly to the director in charge of internal audits (the President and Representative Director of SFH) and is independent of SFH's operating divisions. This department conducts internal audits from an independent and objective standpoint.

⇨ Please see page 69 for further details.

Accounting Audits

The accounting firm and back-up team members of the certified public accountants (CPAs) who acted as the accounting auditors of SFH are as follows:

Accounting firm	PricewaterhouseCoopers Aarata
Breakdown: CPAs and the back-up team members	Eight CPAs, five others*

*For the year ended March 31, 2015

Compensation for SFH's Directors and Statutory Auditors

SFH sets the Policy for Determining the Compensation of Directors and the Policy for Determining the Compensation of Statutory Auditors.

Additionally, SFH has created the Compensation Advisory Committee Regulations to clarify the process for determining the compensation of directors of SFH and representative directors of subsidiaries, and established the Compensation Advisory Committee to deliberate these matters. Consisting of a small number of SFH directors, including an outside director who serves as the committee chair, the Compensation Advisory Committee receives advice from the Board of Directors of SFH and the boards of directors of subsidiaries as necessary, and reports the results of its deliberations to the respective boards of directors. Compensation of individual directors is determined by resolution of the Board of Directors, based on a report from the Compensation Advisory Committee. Meanwhile, compensation of individual statutory auditors is determined through discussion by statutory auditors.

Directors with no executive duties, except outside directors, are, in principle, paid no compensation.

1. Executive Directors

Basic policy	• The main responsibility of executive directors is to continuously increase corporate value as corporate managers of SFH and the Group. Consequently, SFH's basic policy is to determine compensation for executive directors, considering a balance between a fixed portion and a results-linked portion with a focus on securing talented human resources and ensuring that compensation serves as an effective incentive for improving business performance.
Compensation	• Compensation comprises a fixed portion depending on the position, such as president and representative director, and a results-linked portion depending on the performance of SFH and the Group as a whole, and individual responsibilities. • The results-linked portion could range from 0% to 200% of the standard amount subject to achievement of management targets of SFH and the Group and fulfillment of responsibilities.
Level	• A suitable level of compensation shall be paid in order to secure talented individuals. The level of compensation is determined by resolution of the Board of Directors, in consideration of the results of third-party surveys on the compensation levels of corporate managers and other relevant information.
Retirement benefits	• Based on regulations related to retirement benefits for directors set out by the Board of Directors, SFH sets aside an amount equivalent to a defined portion of compensation for every year in office and determines the full amount calculated as at the time of retirement, subject to the resolution of the General Meeting of Shareholders. A defined portion of the reserved amount is converted into shares of SFH and granted, with the aggregate number of shares converted at the market price and paid upon retirement.

2. Outside Directors

Basic policy	• The main responsibility of outside directors is to enhance the transparency and objectivity of corporate management through the oversight and supervision of executive directors' execution of duties. Consequently, compensation for outside directors is determined as fixed compensation with a focus on securing talented human resources and ensuring that supervision and oversight function effectively.
Compensation	• A fixed amount is paid according to the role.
Level	• A suitable level of compensation shall be paid in order to secure talented individuals. The level of compensation is determined by resolution of the Board of Directors, in consideration of the results of third-party surveys on the compensation levels of corporate managers and other relevant information.
Retirement benefits	• None paid.

3. Statutory Auditors

Basic policy	• The main responsibility of statutory auditors is to ensure the transparency and objectivity of corporate management by conducting operational and accounting audits. Consequently, compensation for statutory auditors is determined to be fixed compensation with a focus on securing talented individuals and ensuring that the audit function is working effectively.
Compensation	• A fixed amount is paid according to the respective role of standing statutory auditors and non-executive statutory auditors.
Level	• A suitable level of compensation shall be paid in order to secure talented individuals. The level is determined through discussion of statutory auditors, in consideration of the results of third-party surveys on the compensation levels of corporate auditors and other relevant information.
Retirement benefits	• Based on regulations related to retirement benefits for standing statutory auditors set out by the Board of Statutory Auditors, SFH determines the fixed amount commensurate with the number of years in office as at the time of retirement, subject to resolution of the General Meeting of Shareholders. • No retirement benefits are paid to non-executive statutory auditors.

Compensation for SFH's directors and statutory auditors for fiscal 2014

Details of compensation for SFH's directors and statutory auditors for fiscal 2014 are as follows:

	Number of payees	Total amount of compensation for directors and statutory auditors (Millions of yen)	Total amount by compensation category	
			Basic compensation	Provision for reserve for retirement benefits
Directors (internal)	3	199	164	34
Directors (outside)	2	16	16	—
Statutory auditor (internal)	—	—	—	—
Statutory auditor (outside)	1	21	20	1
Total	6	236	200	36

Note: Compensation categories refer to basic compensation, stock options, bonuses and retirement benefits and others. To date, SFH has neither paid bonuses nor granted stock options as compensation for directors and auditors.

Facilitating the Exercise of Voting Rights

SFH undertakes the following activities to make it easier for shareholders to exercise their voting rights.

- SFH sets the meeting date to avoid dates on which other companies' annual general meetings of shareholders are concentrated.
- SFH posts the Notice of Convocation on its website.
- SFH provides a partial translation of the Notice of Convocation in English.
- SFH uses an electronic voting platform.
- SFH posts the results of shareholder voting on its website.

Relationship with Parent Company, Sony Corporation

(As of July 1, 2015)

Capital Relationship

SFH is a financial holding company, established in April 2004 as a corporate spin-off from Sony (Sony Corporation, hereafter "Sony"). In October 2007, SFH's shares were listed on the First Section of the Tokyo Stock Exchange with the initial public offering conducted in Japan and overseas, after which Sony's shareholding became 60%. As a result of this capital relationship, SFH may be subject to the influence of Sony, irrespective of the intentions and interests of other shareholders with regard to all matters requiring shareholder approval. These matters include the appointment and dismissal of SFH directors and statutory auditors, mergers and other organizational restructuring, material asset and business transfers, amendments to the Articles of Incorporation, and the payment of dividends.

Personnel Relationship

To obtain general management advice concerning the Sony Financial Group and to strengthen the audit structure, SFH appoints directors and statutory auditors from outside the Sony Financial Group. However, one of these SFH directors and one statutory auditor serve concurrently as Corporate Executive Officer or Senior General Manager of the Sony Group. Moreover, Sony has seconded two employees to SFH. Also of note, two Sony employees serve as statutory auditors at SFH's consolidated subsidiaries. Because the appointment of concurrent directors and statutory auditors comes at the request of the Sony Financial Group, SFH believes that it is in a position to make independent management decisions.

From the standpoint of further enhancing independence from the parent company, SFH has appointed two outside directors who have no special relationship with the Sony Group, and have designated them as independent directors based on rules set forth by the Tokyo Stock Exchange.

Ensuring Independence in Business Activities

Because the Sony Financial Group's business operations have a tenuous connection with Sony Group's business domains except for Financial Services*, and because the Sony Financial Group operates its business primarily in accordance with the Insurance Business Act and the Banking Act of Japan, under the supervision of the Financial Services Agency of Japan, SFH believes that the Sony Financial Group conducts its business with a high degree of independence from the Sony Group.

In addition, Sony, which has obtained approval from the Financial Services Agency to remain a major SFH shareholder, recognizes and respects SFH's corporate philosophy.

**The Sony Financial Group is included in Sony Group's Financial Services segment.*

Using the "Sony" Trade Name and Trademark

SFH and Group companies have entered into royalty agreements with Sony for the use of the "Sony" trade name and trademark. However, these agreements can be rescinded by Sony under certain conditions, such as Sony's share of voting rights in SFH falling below a majority, or SFH's percentage ownership of the voting rights of Sony Financial Group companies dropping. Furthermore, Sony Financial Group companies pay royalty fees to Sony based on these agreements. The monetary amount of these royalty fees has no material impact on the management base of the Sony Financial Group.

The Sony Financial Group believes that the use of the "Sony" trade name and trademark confers certain advantages, including stronger brand recognition, enhanced trustworthiness, and higher employee motivation and awareness.

Transactions with Sony Corporation

SFH is a listed company with a listed parent company. For this reason, SFH has set out a Policy Concerning Measures to Protect Minority Shareholders in Transactions with the Controlling Shareholder—to protect the interests of minority shareholders.

Policy Concerning Measures to Protect Minority Shareholders in Transactions with Sony Corporation (Controlling Shareholder)

Sony Financial Group's policy is to develop business while maintaining cooperative ties with the Sony Group. However, the Sony Financial Group believes that it has secured a degree of independence from the Sony Group, because it conducts independent business activities in line with its own management policies and strategies, and operates in different business fields than the Sony Group.

When entering into transactions with Sony (the controlling shareholder), the Sony Financial Group adequately confirms the necessity for such transactions, and ensures that the conditions of such transactions do not differ markedly from the terms of ordinary transactions with third parties.

Status of implementation of the aforementioned policy

With regard to transactions with Sony, based on the aforementioned policy, SFH confirms the necessity for such transactions and ensures that conditions do not differ markedly from the terms of ordinary transactions with third parties.

Compliance

Basic Stance on Compliance

SFH's broad definition of compliance is that it encourages all executives and employees to deepen their understanding of the Company's corporate philosophy and relevant laws and regulations, enforces compliance with these laws and regulations, and manages business operations transparently and properly based on a strong sense of ethics in order to ensure sound and proper operations. SFH considers compliance to be one of its top management priorities, and accordingly it has systems in place to ensure that all executives and employees are fully aware of their duties and responsibilities under the laws and regulations.

While Group companies are responsible for establishing systems to enhance the effectiveness of compliance according to their specific industry and scale of business operations, SFH, as a financial holdings company, undertakes the ongoing monitoring and promotion of the Group companies' compliance by providing advice, as needed, from the viewpoint of Group management.

Compliance System at SFH

SFH's Board of Directors formulated a Compliance Manual* and a Compliance Program**. SFH strives to monitor adherence to stated practices and their implementation at all times, while proactively putting a compliance system in place for itself and for Group companies.

*The Compliance Manual outlines SFH's compliance system, as well as the Group's corporate philosophy, which executives and employees must understand, and laws and regulations, which they must comply with. The manual also establishes measures for handling any contravention of compliance practices, and for confirming compliance status.

**The Compliance Program is drafted annually, in principle, and defines a specific action plan for confirming compliance status, conducting training and for other related items.

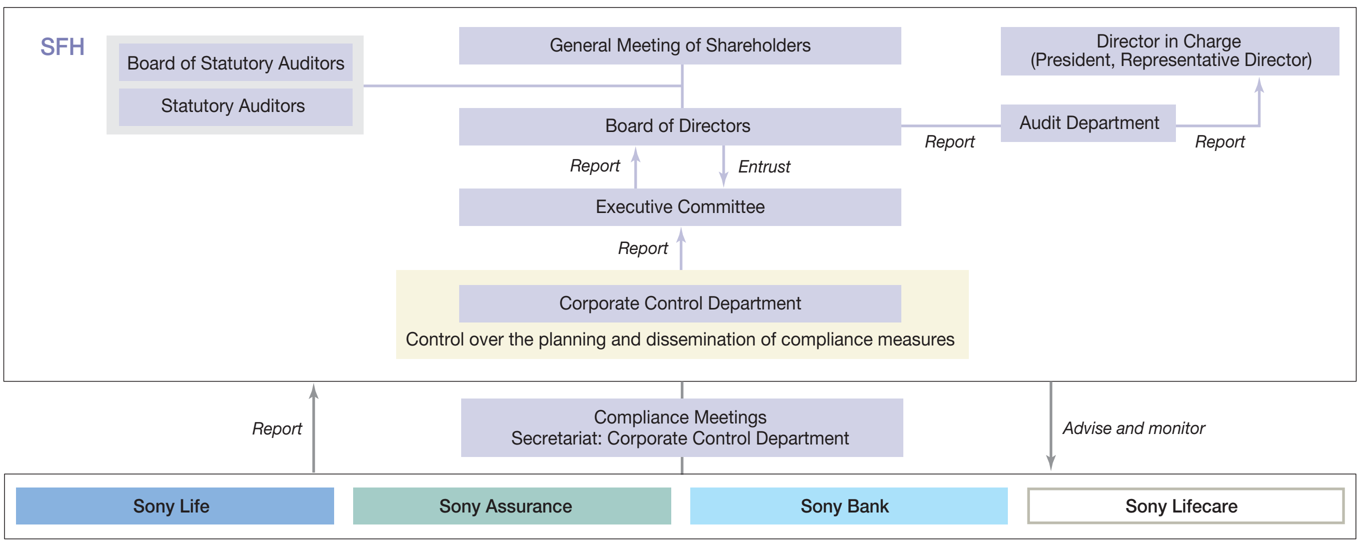
Compliance Meetings

SFH holds regular compliance meetings with Group companies to conduct preliminary consultations on compliance-related issues and exchange information about the status of compliance dissemination and legal issues. Members of the meeting include SFH and Sony Financial Group company executives, general managers and other staff in charge of compliance, depending on the agenda. The results of these discussions are reported to the Board of Directors and at other important meetings.

Internal Hotline System If executives and employees of SFH and Group companies believe that business policies, operating activities or other activities of the companies either breach (or could breach) respective laws and regulations or internal regulations, they can report matters of concern by choosing and notifying the appropriate hotline desk at SFH or at any Sony Financial Group company, or the Sony Ethics and Compliance Hotline, which is the desk for the Sony Group. SFH implements appropriate measures to protect those who contact these desks, while strictly managing and responding to the information provided.

Moreover, SFH communicates with Sony regarding appropriate responses to notifications received at Sony. SFH also communicates with Sony about notifications on issues having the potential to affect Sony Group companies other than SFH.

Compliance System of the Sony Financial Group (As of July 1, 2015)



Contributions to Sustainable Development

Prevention of insider trading SFH established a Basic Group Policy on the Prevention of Insider Trading, whereby a structure for the prevention of insider trading has been developed at SFH and Group companies.

SFH monitors whether such framework is adequately in place and working effectively in the prevention of insider trading at SFH and Group companies, and takes actions as necessary.

Note: Visit SFH's website (http://www.sonyfh.co.jp/index_en.html) for details.

Conflicts of Interest Policy (Summary)

SFH formulated the Conflict of Interest Policy* and established a structure, under which the director in charge of the Corporate Control Department shall be responsible for managing conflicts of interest, while the Corporate Control Department shall be the business unit responsible for managing conflicts of interest. The overall goal is to ensure that customers' interests are not harmed by Group companies.

The manager responsible for managing conflicts of interest shall require Group companies to take the following actions when he or she deems them to be necessary based on reports from Group companies, customer complaints, or other sources.

1) Sever the flow of information between divisions that have potential conflicts of interest
2) Suspend the transaction concerned, or change the terms and conditions or method of the transaction
3) Disclose the fact or the possibilities of a conflict of interest, to customers
4) Take any other action deemed necessary by the business unit responsible for managing conflicts of interest

The business unit responsible for managing conflicts of interest shall retain records, that specify transactions to be managed and that are associated with actions taken to properly protect customers, for five years.

**Visit SFH's website (http://www.sonyfh.co.jp/index_en.html) for more about Conflicts of Interest Policy.*

Basic Group Policy on Eradicating Anti-social Forces

SFH has formulated a Basic Group Policy on Eradicating Anti-social Forces* whereby SFH and the Group companies have in place the structures necessary to take a firm stance on countering anti-social forces, including setting up an organizational unit responsible for dealing with anti-social forces, appointing a person responsible for refusing unreasonable demands and gathering information on anti-social forces in collaboration with external specialized agencies.

**Visit SFH's website (http://www.sonyfh.co.jp/index_en.html) for more about Basic Group Policy on Eradicating Anti-social Forces.*

Privacy Policy

SFH has formulated a Privacy Policy* governing the handling of personal information. It sets out SFH's policies on the use of personal information for specific purposes and its acquisition of personal information to ensure compliance with applicable laws and regulations. SFH has also established and observes Rules on Information Security that set out specific security control protocols.

SFH monitors the effectiveness of Sony Financial Group companies' security control protocols. In addition, SFH and Group companies formulate and revise the Privacy Policy, and set up an organization to protect personal information and appoint persons responsible, prepare a set of rules and a manual for the handling of personal information, as well as education and training programs on the handling of personal information and information security.

SFH and its Group companies strive to maintain entrusted personal information so that it is accurate and up-to-date to the extent necessary for the purposes of its use, and to protect personal information through steps to prevent unauthorized access, leakage, falsification, loss, destruction, and other incidents.

**Visit SFH's website (http://www.sonyfh.co.jp/index_en.html) for more about the Privacy Policy.*

Risk Management

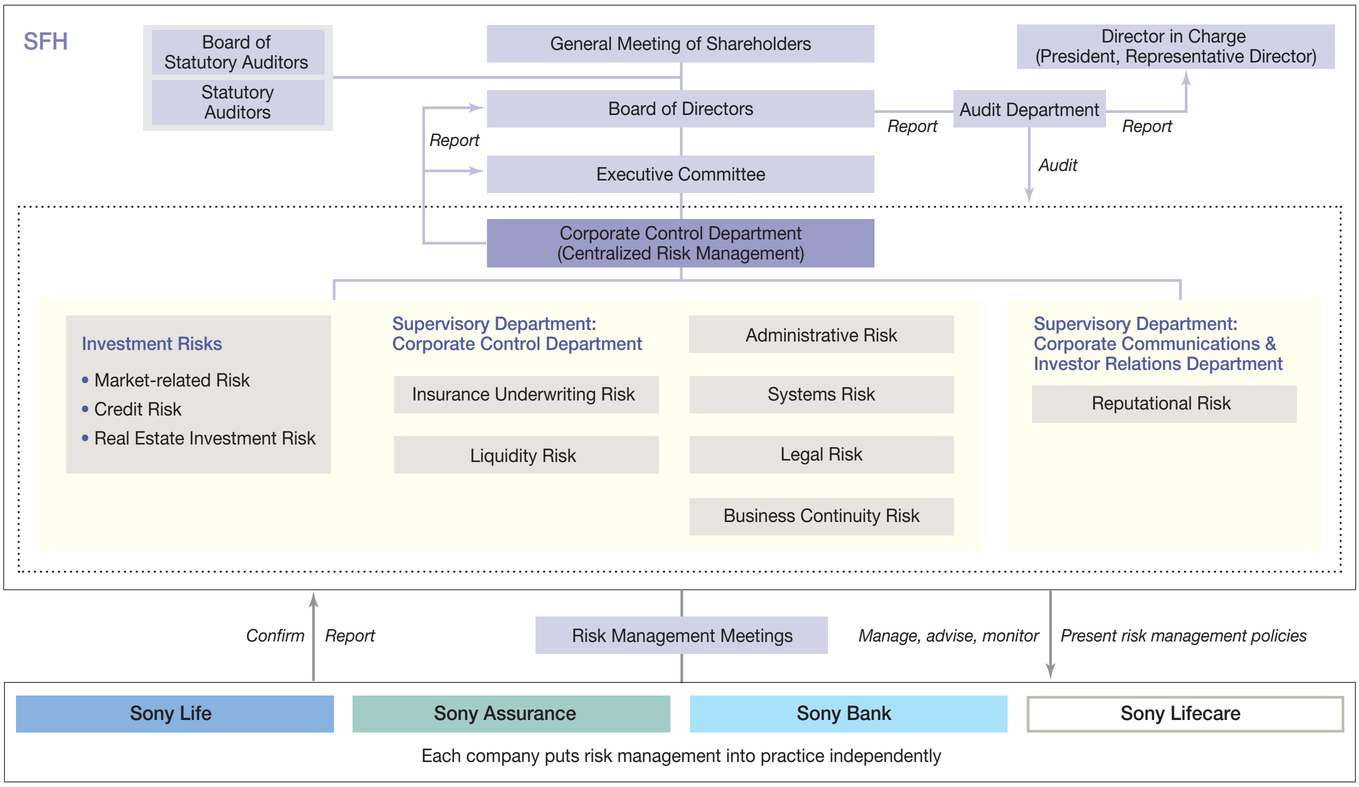
One of SFH's roles as a financial holdings company is to further enhance and integrate Groupwide risk management by centralizing the Group's management resources. SFH has formulated a Basic Policy on Group Risk Management* and develops a risk management structure by aligning it with Groupwide strategic objectives and management policies. In addition, SFH seeks to enhance the corporate value of the Group by tailoring operating subsidiaries' risk management to the types of risks inherent in their respective lines of business.

**Visit SFH's website (http://www.sonyfh.co.jp/index_en.html) for more about the Basic Policy on Group Risk Management.*

Approach to Risk Management by SFH and Group Companies

SFH's Board of Directors has formulated the Fundamental Principles for Risk Management and communicates them to directors, employees, and throughout the Sony Financial Group. The Board also identifies the types of risks specific to the subsidiaries' scale, characteristics and business model, and establishes structures designed to manage such risks effectively. SFH's Executive Committee, which is appointed by the Board of Directors, executes routine tasks pertaining to Group risk management. In more detail, subsidiaries each assess, monitor, and manage their risks on their own. At the same time, the Corporate Control Department, which is responsible for SFH's risk management, controls risks through monitoring and holding Risk Management Meetings with the subsidiaries' risk management divisions. The Corporate Control Department also reports its findings on the state of risk management regularly to SFH's Board of Directors and Executive Committee.

Risk Management Structure of the Sony Financial Group (As of July 1, 2015)



Types and Definitions of Risks

The types and definitions of risks that SFH and Group companies must manage are shown in the following table:

Market-related Risk	Risks associated with losses due to changes in the value of assets and liabilities, including off-balance-sheet items as a result of unfavorable fluctuations in interest rates, the value of securities held, exchange rates, and other factors.
Credit Risk	Risks associated with losses due to declines or loss in the value of assets, including off-balance-sheet items, resulting from deterioration in the financial position of retail and corporate customers and other contracts entered into.
Real Estate Investment Risk	Risks associated with losses due to declines in the market value of owned real estate or in the profitability of real estate holdings on account of unfavorable trends in prices and rents, respectively.
Liquidity Risk	Risks associated with losses are as follows: • Cash Flow Risk: Risks associated with losses due to our inability to make cash payments because of failure to maintain sufficient cash reserves at settlement, as well as risks associated with losses if SFH and Group companies are forced to raise funds under unfavorable conditions in order to fulfill cash payment obligations. • Market Liquidity Risk: Risks associated with losses due to the Group's inability to conduct market transactions, in particular from an inability to unwind the Group's market position at a given time, as well as risks associated with losses if the Group is forced to complete transactions under unfavorable market conditions, in each case due to market turmoil or other factors.
Insurance Underwriting Risk	Risks affecting the Group due to significant differences between the assumptions SFH and Group companies use to establish appropriate insurance premium levels, including assumptions regarding the expected frequency and scale of insured events and future economic conditions.
Administrative Risk	Material and immaterial risks affecting the Group due to errors, misconduct, malfunction, and other factors related to problems with the Group's internal administrative processes.
Systems Risk	Material and immaterial risks affecting the Group due to IT-system malfunction or breakdown, improper use or leakage of confidential information stemming from IT-system problems.
Legal Risk	Risks affecting the Group due to violations of applicable laws, rules and regulations occurring during the course of business operations, as well as the risk of loss due to litigation or infringements of rights.
Reputational Risk	Material and immaterial risks associated with losses resulting from harm to the Group's reputation in the market and among customers as a result of unethical behavior, unfair business practices, improper disclosure, or other factors.
Business Continuity Risk	The risk that SFH and Group companies will be unable to continue operations as a result of a deterioration in financial position, liquidity problems, system failures, scandals, accidents, or other crises.

Each Group company establishes its own framework for managing risks matched to its respective scale, characteristics and business model, and optimizes its framework according to risk type and definition.

As the operating and business environment changes, the Group companies' risk management departments review the risk types and definitions set forth above, amending them as appropriate for new conditions.

Contingency Management System

SFH has established a contingency plan as part of the Group's comprehensive policy on business continuity for times when ordinary business operations of SFH or Group companies are at risk due to accidents, disruptions or other factors. Group companies have developed regulations, manuals and other guidelines reflecting their respective business volume and nature of business activities. SFH has a system in place whereby Group companies report to SFH when they are unable to continue ordinary business operations. If SFH determines that a reported situation is difficult to address under the risk management system set forth in the fundamental principles for risk management, among other guidelines, SFH shall establish a contingency response headquarters led by the President and Representative Director of SFH and execute business continuity measures aimed at the full restoration of all operations.

Moreover, SFH and Sony Life are scheduled to relocate their respective head offices by the end of July 2016, for purposes that include the further reinforcement of business continuity of operations in case of disaster or other incidents.

Internal Audit

SFH has formulated the Basic Policy on Internal Audits for the Group, and internal audits are conducted within the Company and at Group companies.

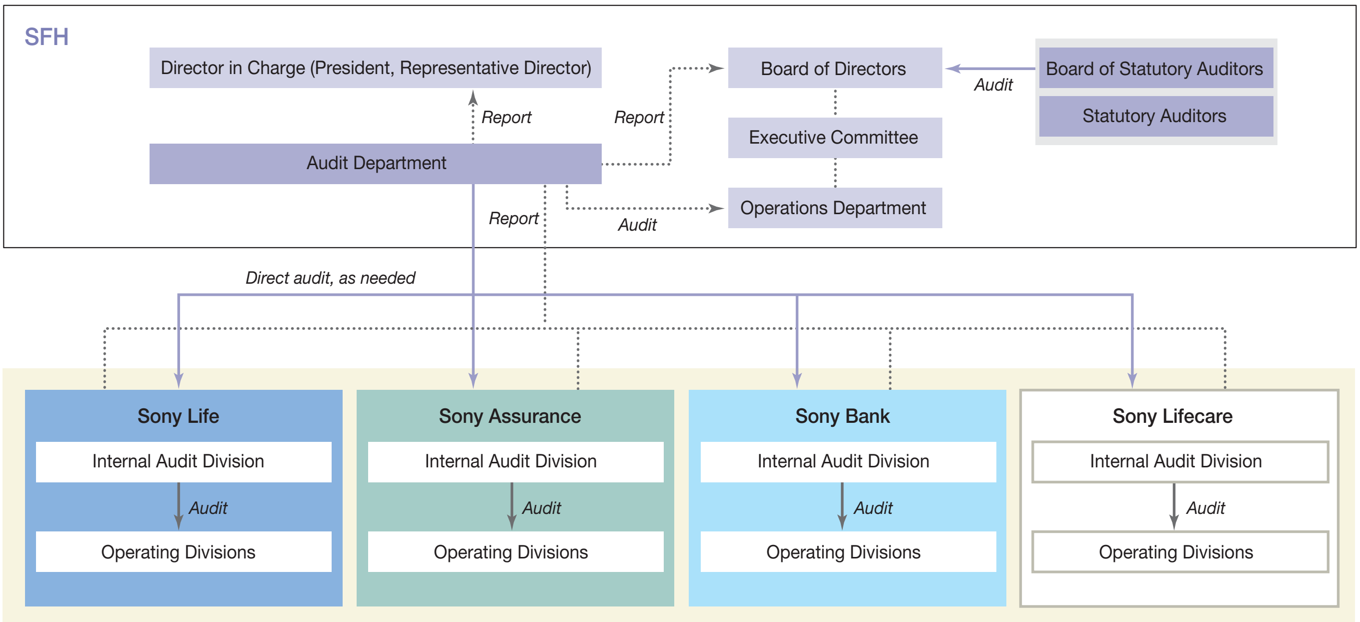
Basic Stance on Internal Audits

Internal audit divisions at SFH and Group companies take a fair and objective standpoint in examining and evaluating the status of business activities from the perspective of legitimacy and rationality as a way of protecting their customers' interests. Based on these, the divisions then state their opinions and offer advice and suggestions for improvement, thereby contributing to ensuring sound and appropriate execution of business activities.

Internal Audit System at SFH and Group Companies

SFH has set up an Audit Department to perform internal audits. Separated from other operating divisions as a structure under the direct supervision of the director in charge of internal audits (the President and Representative Director of SFH), this department takes an independent and objective standpoint in performing internal audits to check and evaluate the appropriateness of work processes and risk responses. Sony Financial Group companies each have their own internal audit division to perform internal audits designed to match their specific industry, scale of business and types of risk they face. SFH's Audit Department monitors the results of both internal and external audits of Group companies with the aim of ensuring sound business operations. When necessary, the Audit Department provides advice and proposals to the subsidiaries' internal audit divisions. SFH's Audit Department regularly reports the results of its monitoring activities to the director in charge and the Board of Directors. Should the director in charge see the need, as a result of the monitoring, the Audit Department may directly audit subsidiaries within the scope of governing laws and regulations. In addition, the Audit Department works closely with statutory auditors, as well as external auditors, such as accounting auditors, as necessary.

Internal Auditing Structure of the Sony Financial Group (As of July 1, 2015)



Stance on Corporate Social Responsibility (CSR)

The Sony Financial Group believes that a special commitment to the public good is demanded of a financial services company, and seeks to achieve its corporate vision and thus give back to society by upholding the highest level of ethics and a strong sense of purpose.

Furthermore, in order to fulfill its responsibilities as a member of society, the Sony Financial Group actively participates in social contribution activities, and believes that the continuation of these activities will earn it even greater trust from local communities and customers.

Based on these basic approaches, Sony Financial Group companies have formulated the following Basic CSR Policy, and every company in the Sony Financial Group conducts different CSR activities.

Basic CSR Policy (Excerpt)

1. We recognize that a corporation's fundamental responsibility to society is contributing to economic growth through sound business activities, and we will fulfill this responsibility by providing high-value-added products and high-quality services.
2. We will esteem our relationships with customers, shareholders, employees, business partners, local communities and all other stakeholders in the Sony Financial Group, and we will make management decisions while considering the impact on each stakeholder group.
3. In carrying out business operations, we will strictly comply with laws, regulations, company rules, policies and other requirements.
4. We will respect the human rights of all and ensure sound employment and labor practices.
5. In all aspects of our business activities we will act in consideration of protecting the environment to help bring about a sustainable society.
6. We will disclose information in an appropriate and timely manner to maintain the trust and support of the Sony Financial Group's stakeholders.

Structure for Promoting CSR

Sony Financial Group companies carry out CSR initiatives independently through their business activities. At SFH, the Corporate Planning Department promotes and manages CSR and formulates policies for the Sony Financial Group. Furthermore, SFH's other relevant departments monitor the CSR activities at Sony Financial Group companies by sharing information with them, and make reports or proposals as necessary to the Executive Committee and the Board of Directors.

Departmental CSR Responsibilities

Corporate Communications & Investor Relations Department	Promotes external communications on Group activities
Corporate Control Department	Monitors risk management and compliance activities related to overall business activities at Group companies
Accounting Department	Manages internal controls over financial information for the Group as a whole
Human Resources & General Affairs Department	Monitors general administrative activities at Group companies, including activities related to personnel systems and the environment
Audit Department	Monitors internal auditing of business activities at Group companies

Activity Profiles

In giving back to society through its business activities, the Sony Financial Group regards and respects the interests of all stakeholders—customers, shareholders and other investors, business partners, employees and local communities.

Customers

Guided by our corporate vision and corporate philosophy, the Sony Financial Group is seeking to become the most highly trusted financial services group in Japan.

Utilizing Customer Feedback

Sony Financial Group companies have in place a framework under which feedback received from each company's customers on a daily basis is compiled and analyzed by divisions in charge of promoting customer satisfaction and raising quality. This feedback is reported to management and used to make recommendations on operational improvements and product and service enhancements. As a result of this approach, the Sony Financial Group's three businesses—life insurance, non-life insurance and banking—have received high appraisals in customer satisfaction surveys conducted by outside institutions and the media.

Customer Service Divisions at Major Subsidiaries

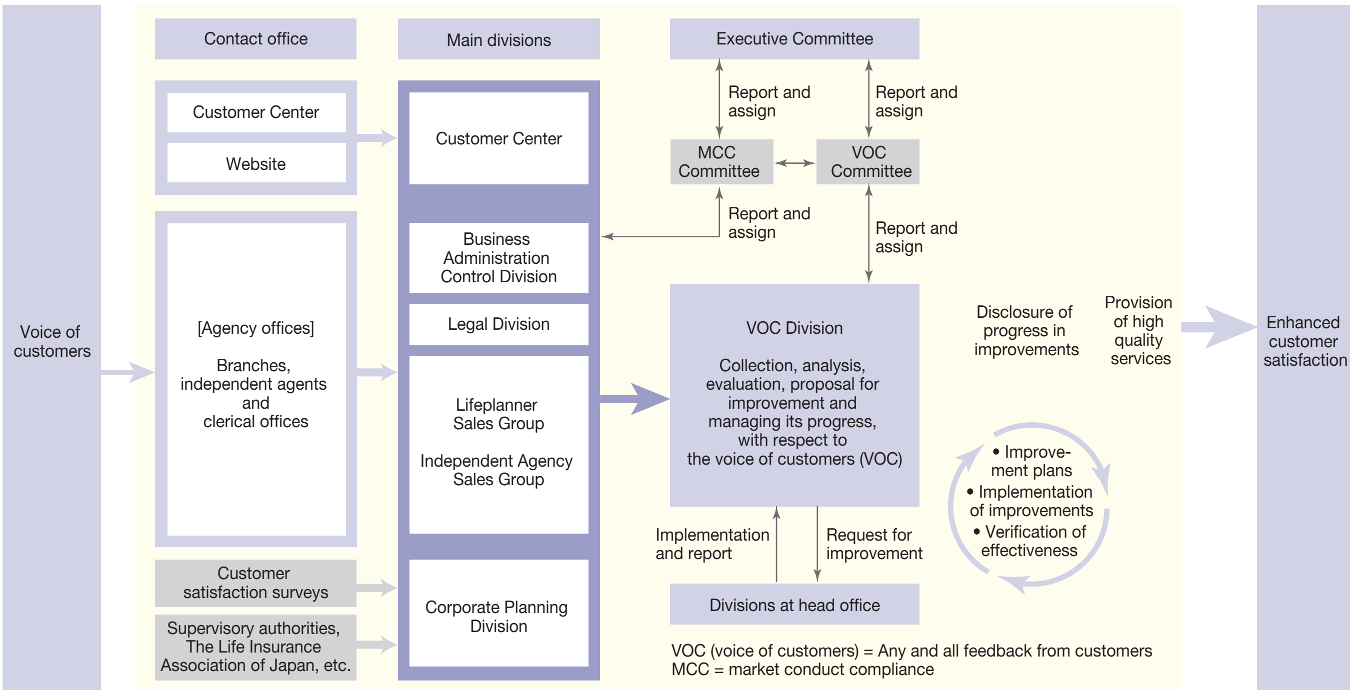
Sony Life	VOC* Division
Sony Assurance	Customer Response Service Department
Sony Bank	Customer Support Unit (Centered on the Customer Service Office at head office, the unit engages in VOC activities to reflect customer feedback and requests in marketing.)

**VOC=voice of customers*

Sony Life Sony Life conducts customer awareness surveys once a year, and has gathered valuable feedback and requests from 4,279 policyholders in fiscal 2014. Also in fiscal 2013, Sony Life launched the Customer Satisfaction Survey, a telephone questionnaire aimed at policyholders to survey levels of satisfaction with its sales representatives. Additionally, an annual questionnaire is conducted targeting Lifeplanner sales employees who come into daily contact with customers.

The VOC Division works on improvement efforts in collaboration with other internal divisions based on concrete improvement measures and plans formulated after analysis of customer feedback. Furthermore, the VOC Committee, which serves as a conduit for reports to and orders from the Executive Committee, improves operations by executing ongoing improvement measures, verifying the subsequent effects of these measures, and revising them as necessary to achieve further improvement.

Sony Life's Framework to Reflect the Voice of Customers (VOC) in Its Management (As of July 1, 2015)



Sony Assurance Leveraging its unique advantage as an insurer that communicates directly with customers, Sony Assurance listens closely to its customers and reports on specific improvement measures via its website. In addition, customer feedback is centrally managed, compiled and analyzed on a monthly basis. Feedback is reported to management every quarter, and in particularly important cases, detailed reports are made on the causes of incidents and countermeasures are recommended as necessary. The feedback is also passed on to relevant departments, along with instructions on improvements and other matters.

Sony Assurance has set up a complaint-handling management system. On April 1, 2011, Sony Assurance became the first* direct non-life insurer to declare conformity with ISO 10002, the international standard for complaint-handling management systems. Since that time, Sony Assurance has continued its daily activities to improve the quality of operations directed at providing better services to customers. In recognition of these efforts, in 2015, Sony Assurance yet again obtained approbation from Mr. Junzo Nabeshima, who had chaired the Association of Consumer Affairs Professionals (ACAP), among other important posts.

*Based on a survey by Sony Assurance, as of March 31, 2011. Direct non-life insurance companies refer to Japanese non-life insurance companies selling insurance products and providing services directly to customers without relying primarily on insurance agencies.

Measures for improvement—Discussion with consumer affairs expert

With a view to promoting further improvements, Sony Assurance, in December 2014, sought opinions about Sony Assurance from Ms. Kaoru Nakatani, Representative of the Financial Services Research Working Group at the Japan Association of Consumer Affairs Specialists, deeming it important to hear from a fair and neutral consumer affairs expert.

After the interview Ms. Nakatani, a consumer affairs expert, offered several suggestions with respect to certain issues that exist between consumers and insurance companies. She has significant insight into the inherent gap between consumers and insurance companies because she regularly supports consumers with advice and solutions on insurance-related issues, grounded in her solid understanding of the interests and positions of both parties. Thanks to the concerns she raised and her suggestions, we have become aware of what is lacking at Sony Assurance at present.

We have renewed our commitment to ongoing operational improvements by carefully listening to the voice of consumers and by having a fuller understanding of the consumer, and as a result will fill the aforementioned gap.

General Manager, Customer Response Service Department
Kenichi Osada
Leader of the division responsible for facilitating operational improvements in internal divisions, based on customer feedback that is collected and managed.

Organizational affiliation, job title and the content of this article are as of July 2015.

Sony Bank Heeding the feedback from customers, and to provide even better products and services, Sony Bank reviews the comments and requests from customers and strives to make improvements. Specific feedback and related details are made available on the Voice of Customer webpage of Sony Bank's website.

In fiscal 2014, Sony Bank placed first for the eighth consecutive year in Nikkei's eleventh annual ranking* of Japanese financial institutions based on customer satisfaction, and was highly evaluated on many other customer satisfaction surveys.

Article in the February 1, 2015 issue of the Nihon Keizai Shimbun (Nikkei) newspaper

Sony Bank also promotes in-person mortgage loan consultations.

Shareholders and Other Investors

The Sony Financial Group has built internal systems for the timely disclosure of corporate information, and under these systems, we provide timely and accurate information on the Company to shareholders and other investors. SFH has established the following Investor Relations (IR) Policy to provide ample opportunities for two-way communication between shareholders and SFH management, with the aim of maximizing shareholder value.

IR Policy

Purpose of IR Activities

SFH strives to provide members of the investment community, including its shareholders and other investors, as well as securities analysts, with information related to the assessment of corporate value in a timely, accurate and fair manner. At the same time, SFH strives to provide feedback to management in an effort to strengthen two-way communication. Furthermore, by enhancing its disclosure of business strategies and financial position, SFH makes every effort to gain the trust of the investment community and obtain a fair corporate valuation from stakeholders.

Basic Approach to IR Activities

(1) SFH will disclose the information necessary to assess its corporate value based on the principles of promptness, accuracy, fairness and consistency.
(2) SFH will engage with members of the investment community such as its shareholders and other investors, as well as securities analysts, in a sincere and direct manner in order to establish relationships of trust.
(3) SFH will promote IR activities led by top management, based on the concerted effort of the entire Sony Financial Group.

Method of Disclosure of IR Information

- SFH will provide timely disclosure based on the Securities Listing Regulations for marketable securities through the Timely Disclosure Network (TDnet) of the Tokyo Stock Exchange, and will promptly make such information available on the SFH corporate website. SFH shall, in principle, make the information published through the TDnet available on the SFH corporate website.
- SFH strives to provide fair disclosure worldwide by making a full range of information available on its corporate website, including information that is not required under disclosure regulations.

Framework for Disclosure of IR Information

In order to promote timely disclosure, SFH has established the Rules and Regulations Related to Timely Disclosure and set up a Disclosure Committee (DC)*.

In the event that material information comes to light, SFH has a framework in place whereby SFH's directors and employees, as well as managers responsible for the material disclosure of information (hereinafter, the "Disclosure Managers") of its subsidiaries, promptly report on this information to the DC.

Furthermore, material corporate information that SFH must disclose is set forth in the Sony Financial Group Guidelines for Reporting Important Information. These guidelines are made known to SFH's directors and employees, as well as the Disclosure Managers of its subsidiaries.

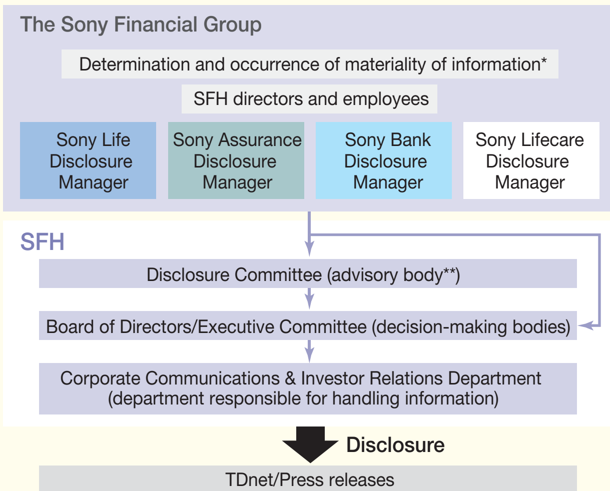
Roles of the DC

(1) Assist with the decision making of the President and Representative Director regarding the design, implementation, evaluation and maintenance of the disclosure system
(2) Promptly and comprehensively collect material corporate information of Group companies. Discuss the necessity of timely disclosure along with the accuracy, completeness, clarity and level of formality of the content of timely disclosure, as well as the fairness and urgency of the announcement. Provide the necessary information when authorized personnel must make decisions on the disclosure of said information.

Quiet Period for IR Activities

In order to ensure fair disclosure of information and prevent the leak of material information regarding the Sony Financial Group's business results prior to earnings announcements, SFH has established a quiet period for IR activities. SFH observes a quiet period for IR activities from the second Monday of the month following the end of every quarter until the earnings announcement. During this period, SFH shall not, in principle, hold individual meetings, presentations about the Company and other such events, and shall refrain from answering inquiries regarding the settlement of accounts.

Framework for Disclosure of IR Information (As of July 1, 2015)



**Defined as information that has "an extremely high likelihood of being deemed material by shareholders and other investors, as well as other parties, on a rational basis," when making an investment decision.*
***This advisory body assists with the decision making of the President and Representative Director. It comprises members of the Executive Committee, including standing directors and general managers from each division (Secretariat/Corporate Communications & Investor Relations Department).*

Investor Relations (IR) Initiatives in Fiscal 2014

SFH strives to communicate a broad range of information to shareholders and other investors in Japan and overseas, to address various topics of interest. To this end, SFH conducted presentations and individual meetings in a variety of formats, as detailed below.

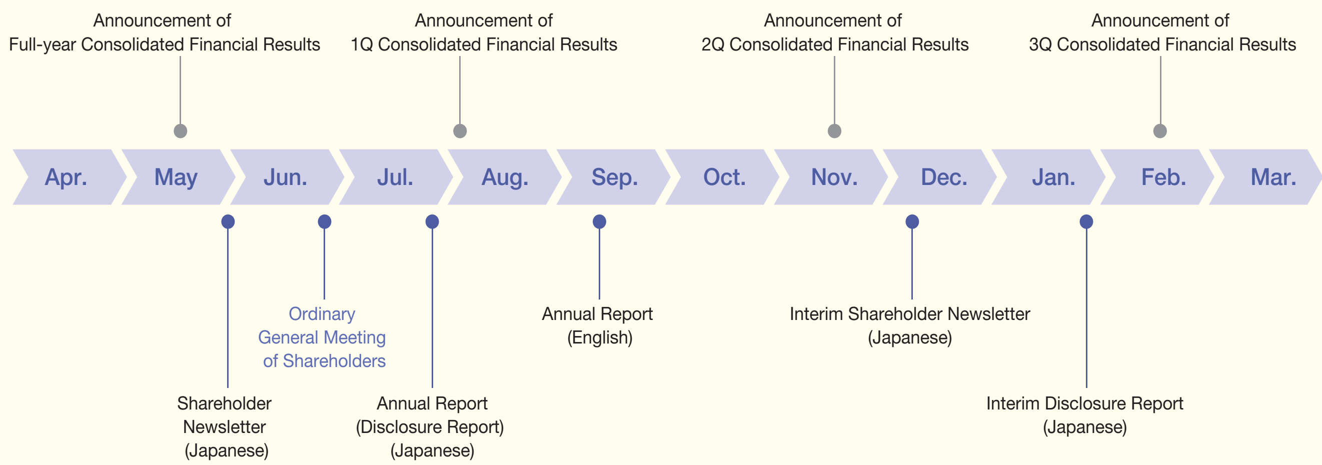
The SFH IR website has received high marks, including taking first place for the third consecutive year in the insurance sector on the fiscal 2014 Nikko Investor Relations Co., Ltd. industry-specific ranking of all listed Japanese company websites.

Record of IR Activities

Earnings briefings (teleconferences with domestic institutional investors and analysts)	4 times
Corporate Strategy Meeting	1 time
Individual meetings with institutional investors and analysts	Approx. 200
Overseas IR meetings (Europe, North America, Asia)	1 tour in each region
Briefings for individual investors	7 times
Participation in an IR fair for individual investors	2 times
Business briefings (small meetings for domestic institutional investors and analysts)	1 time
Sony Financial Group internal IR briefings	1 time

SFH President and Representative Director, Katsumi Ihara, gives a briefing for individual investors in December 2014.

Annual IR Schedule



Business Partners

The Sony Financial Group promotes fair and equitable transactions with institutions that provide financial products and services and with suppliers and vendors of goods and services, along with insurance agencies, and maintains healthy relationships with all of its business partners as part of the sustainable development of society.

Fair Trade

The Sony Financial Group has established the Conflicts of Interest Policy, the Basic Policy on Eradicating Anti-social Forces and the Policy for Preventing Corruption. As stated in our code of conduct, we comply with all applicable laws and regulations and conduct business activities ethically and in good faith. We engage in fair trade practices with all business partners on this basis.

Partners (Independent Agents)

Sony Life's Partners (Sony Life refers to independent agents as "Partners" not only because they are partners from a business standpoint but also because they are the lifelong partners of customers) constitute a critically important sales channel alongside Lifeplanner sales employees. Based on the desire to provide high-quality services closely tied to regional communities, the Company's approximately 1,900 Partners around the country, as of July 1, 2015, sell policies tailored to customer needs based on their sophisticated insurance knowledge and consulting capabilities as life insurance professionals, faithfully fulfilling their responsibilities as partners to customers.

Partner (Independent Agent) Training Program

Sony Life provides various systematic training programs for Partners, which are collectively referred to as the Partner Training Program (PTP). To enable Partners to succeed as life insurance professionals, Sony Life provides training related to products, along with expertise on sales tailored to customer needs based on sales processes developed by the Company over the years.

Furthermore, Sony Life introduced the Professional Agent (PA) system in 2006 for the purpose of helping to nurture high-quality sales people. The PA certification is conferred on carefully chosen sales people who satisfy fixed performance and qualification requirements and possess the skills needed by life insurance sales professionals.

Employees

The Sony Financial Group's corporate philosophy states our commitment to fostering an open corporate culture where employees can freely express their individuality and demonstrate their abilities to the fullest. We consider it essential that all employees actualize their full potential, and thus implement initiatives to create pleasant and productive workplaces, through such means as, for example, the Employee Opinion Survey.

Work-life Balance

The Sony Financial Group promotes initiatives to help balance careers with private lives.

Since it was established, Sony Life has had a system in place that goes beyond what is required by law to enable employees who are raising children to continue working. Since July 2007, Sony Life has been continually certified by the director of the Tokyo Labour Bureau as a company that meets the requirements of the Act on Advancement of Measures to Support Raising Next-Generation Children. Also, Sony Assurance became the first direct non-life insurer to receive this certification* in August 2012. Sony Bank formulated an action plan to help employees balance child-raising responsibilities with work, and as part of this initiative, distributed a guidebook on social security and other support that can be referred to by expecting parents regarding birth and child-raising. By continuing to help employees balance child-raising responsibilities with work going forward, Group companies will remain focused on proactively creating a work environment conducive to healthy childbirth and parenting.

Sample Initiatives

Introduction of flex-time working hours and other systems	Established systems permitting flex-time working hours, as well as earlier or later start and finish times for work. Reduced work-hour system available for employees in childcare periods.
Childcare leave and nursing care leave, etc.	Amount of leave time provided exceeds legal requirements. Childcare leave is taken by some male employees.
Telecommuting system	Introduced in SFH and Sony Life.
Other leave systems	Introduced volunteer leave and commemorative leave.

**Sony Assurance is the first direct non-life insurer to receive the certification based on a survey by Sony Assurance conducted on August 29, 2012. Only those companies that have received the Kurumin logo certification and have consented to be listed on the Ministry of Health, Labour, and Welfare's website were surveyed. A direct non-life insurer refers to a Japanese non-life insurer that sells insurance products and provides services directly to customers without relying primarily on an insurance agency.*

Human Resources Development

Promotion of women's empowerment For future growth, the Sony Financial Group regards its female employees as valuable human resources and equal to male employees. During its earliest days in business, when Japanese life insurers were predominantly relying on a female sales force, Sony Life dared to deploy male Lifeplanner sales employees as the core of its sales operations, and achieved growth through the sale of policies tailored to customer needs by Lifeplanner sales employees who had sophisticated insurance knowledge and consulting capabilities as life insurance/financial professionals. As times changed, however, Sony Life started actively to employ female Lifeplanner sales employees on a companywide basis, and is scheduled to increase by five times the current annual number of newly recruited female Lifeplanner sales employees, to 100 by 2020. In April 2015, the Women's Empowerment Promotion Department was established, which promotes a progressive workplace for female Lifeplanner sales employees, including through organizational support for taking maternity/childcare leave, as well as by recruiting female Lifeplanner sales employees.

Promotion of diversity Following an increase in the number of employees, the Group has come to embrace a diverse workforce including women, foreigner nationals and the physically or mentally challenged. In April 2015, Sony Life established the Diversity Promotion Department for the development of a working environment that fits a diverse workforce, along with activities to promote a greater understanding of human rights and diversity among employees.

New employee training In addition to training at each Group company, training programs are conducted jointly at the Group level to promote understanding of the business operations of the Group as a whole. These programs include life-planning courses, explanations of each company's business operations, and workplace tours. Training for employees in their second year is also conducted at the Group level.

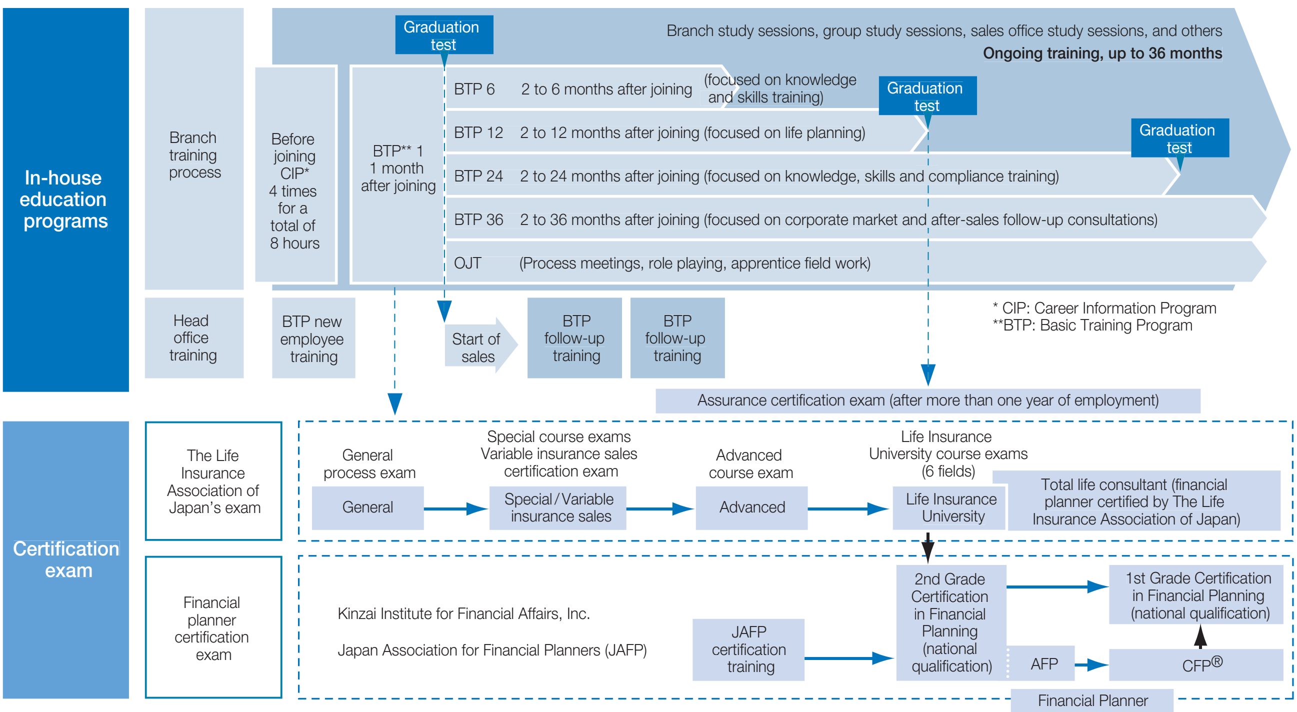
Sample Programs and Initiatives for the Development of Employees

Self-development Program	Group training sessions and opportunities to take correspondence courses for employees working independently to develop their skills.
Management Skill-development Program	Conducted jointly by Sony Financial Group companies as a part of efforts to improve the managerial capabilities of management-level employees.
In-house Inter-departmental Training Program	Work experience in different departments for a certain period of time allowing for better understanding of different operations or to achieve career plan objectives.
Recruitment and Training of Global Human Resources	With an eye on overseas business expansion in the future, the Sony Financial Group is conducting initiatives, such as overseas actuary training.

Training System for Lifeplanner Sales Employees at Sony Life

All Lifeplanner sales employees complete a 36-month program after joining the company in order to develop a customer-first approach, the knowledge and skills required of an insurance and finance professional, and appropriate conduct.

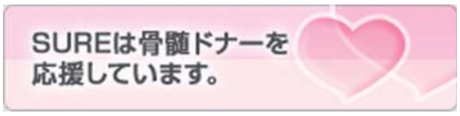
Lifeplanner Sales Employees Training System (As of July 1, 2015)



Local Communities

Social Contribution Activities through Insurance Products

Sony Assurance added a bone marrow donor support rider automatically to all policies in its SURE medical and cancer insurance offerings in order to lessen the financial burden on donors. Sony Assurance pays surgery benefits to policyholders who undergo surgery to harvest stem cells from their bone marrow for donation to patients with intractable blood diseases. There is no insurance premium burden for the policyholder.



SURE supports bone-marrow donors.

Social Contribution Activities with Employee Participation

Sony Life Volunteer Club

Social contribution is a well-established part of the corporate culture at Sony Life, where many employees discover the value of volunteer activities and contribute to society under the slogan "One Love One Trust." The Sony Life Volunteer Club was established by Sony Life's employees in 1995 after the Great Hanshin–Awaji Earthquake, and the organization is still in operation more than 20 years after the disaster. Each member participates in running the club, which is funded by donations from employees. Members devise and carry out a wide range of initiatives.

Examples of Main Activities

- Continuing support for the elderly victims of the Great Hanshin–Awaji Earthquake
- Support for the Special Olympics Nippon Foundation* event
- Hosting youth education events at care houses
- Operational support for the Oita International Wheelchair Marathon
- Support for the Relay for Life** event
- Activities to support reconstruction after the Great East Japan Earthquake (soup kitchens, participation in local festivals, distribution of potted plants among temporary-housing residents, and more)

**What is the Special Olympics Nippon Foundation?*
Special Olympics Nippon is a public-interest incorporated foundation that provides opportunities for daily sports training to intellectually challenged people throughout the year, while promoting their social participation through organizing athletic competitions for them to demonstrate their achievements. Sony Life has supported the foundation since 1996, and had approximately 700 volunteers (cumulative) at the Special Olympics Nippon National Summer Games in Fukuoka, a three-day event held in 2014.

***What is Relay for Life?*
Relay for Life is a charity event held in over 5,000 communities in 20 countries around the world. Persons battling cancer, their families and those who have lost loved ones to the disease run laps around a track for 24 hours to promote the eradication of cancer. Sony Life has participated in the Relay for Life since 2007. In fiscal 2014, Sony Life participated in relays in 32 communities held across Japan. Led by Lifeplanner sales employees at regional branches, over 2,300 people (cumulative) participated, including the families of employees and customers.

Sony Financial Group's Donations and Grants for Fiscal 2014

Main Recipients of Donations and Other Assistance	Amount
NPO Sorabear Foundation	¥16,459,990
Donations to support children who have suffered in connection with the Great East Japan Earthquake	6,893,007
The Eye Mate, Inc. and its supporting groups	6,309,973
Special Olympics Nippon Foundation	5,350,000
Purchase of green power and J-Credits in fiscal 2014	3,349,650
Funds for activities of Sony Life Volunteer Club	2,500,000
The Tokyo Philharmonic Orchestra Public Interest Incorporated Foundation	1,000,000
Hand in Hand Japan	1,000,000
Others (incorporated associations, incorporated foundations, academic societies, and others)	4,290,763
Total	¥47,153,383

Life-planning Course Given at 747 Schools

Since fiscal 2005, Sony Life has conducted life-planning courses, a hands-on learning program for students nationwide. Courses are conducted by Lifeplanner sales employees. The program is designed to foster students' appreciation for the importance of leading a well-planned life, and working hard toward goals. As of March 31, 2015, the life-planning courses have been given at more than 747 schools nationwide (cumulative).

Life-planning Course given by Sony Life

	Life-planning Course	
FY2014	Number of schools	143
	Number of participating students	15,290
Cumulative total (FY2005–FY2014)	Number of schools	747 (cumulative)
	Number of participating students	72,931

Sony Life's Initiatives as an Institutional Investor—Adopting Japan's Stewardship Code

As an institutional investor, Sony Life, a subsidiary of SFH, has announced its adoption of Japan's Stewardship Code—a set of principles guiding the responsibilities of institutional investors.

Sony Life exercises its voting rights

Sony Life exercises its voting rights in regard to listed domestic companies based on the following criteria.

1. Criteria governing the exercise of voting rights
   - Voting rights shall be exercised with the main aim of contributing to stakeholders' interests on a medium- to long-term basis, through an increase in the investee's corporate value.
2. Basic process for the exercise of voting rights
   - All proposals to be discussed at an investee's general meeting of shareholders shall be examined in accordance with the Guidelines on the Exercise of Voting Rights independently established by Sony Life.
   - A proposal to be discussed at an investee's general meeting of shareholders shall be subject to review to judge whether such proposal can contribute to the sustainable growth of the investee, taking into consideration the results of monitoring and of discussions with the investee.
   - Sony Life shall approve a proposal if after review it is deemed capable of contributing to the sustainable growth of the investee from a medium- to long-term perspective, while it shall disapprove a proposal if it is not.
   - In principle, Sony Life shall exercise voting rights on all proposals.
   - External investment companies may be used for making investments in listed domestic companies, provided that they regularly inform Sony Life on the results of their exercise of voting rights, or publish such results on their websites.

Sony Life's compliance with each principle of Japan's Stewardship Code

Principle 1 Formulation and disclosure of relevant policies

Sony Life, as a financial institution managing customers' funds, is committed to fulfilling its stewardship responsibilities, through stewardship activities of its own, or of the external asset management companies to which it entrusts the management of the funds. Specific stewardship activities shall be regularly published on Sony Life's website.

Principle 2 Conflicts of interest

Sony Life formulated the Conflicts of Interest Policy, in accordance with the Companies Act and the Financial Instruments and Exchange Act of Japan, to ensure that interests of customers associated with operations executed by Sony Life or its subsidiary financial institutions are not harmed, in terms of transactions carried out by Sony Life Group companies. Following this Policy, Sony Life has developed a structure to properly manage information on such operations and to appropriately monitor their status. Sony Life's Conflicts of Interest Policy is published on its website.

Principle 5 Exercise of voting rights and the disclosure of results

All proposals to be discussed at an investee's general meeting of shareholders shall be examined in accordance with the Guidelines on the Exercise of Voting Rights independently established by Sony Life. Voting for or against a proposal shall be reviewed not with respect to the short-term effect on performance but from a viewpoint of whether such proposal can contribute to sustainable growth in corporate value. Sony Life, in principle, shall exercise its voting rights on all proposals. Results of the exercise of voting rights shall be sorted into main categories and counted, and regularly published on Sony Life's website.

Results of Voting by Sony Life

Results of the exercise of voting rights in 2014

At its investees' general meetings of shareholders held between April 2014 and June 2014, Sony Life exercised its voting rights (figures on the right) for the proposals presented by the investees or by its shareholders, in accordance with its Guidelines on the Exercise of Voting Rights.

Agreed	351
Disagreed	40
Total number of proposals	391

Examples of cases of proposals Sony Life disagreed with in 2014

Of the categories of proposals (right), Sony Life disagreed with those that were not backed by reasonable explanations as to how the proposal would lead to an increase in the investee's corporate value.

- Appointment of directors in the absence of outside directors
- Approval of anti-takeover measures that enable a capital increase involving excessive dilution
- Disposal of treasury stocks through a third-party allotment involving uncertain use of the proceeds therefrom

Environmental Protection Activities

The Sony Financial Group recognizes that protecting the global environment is a critical challenge facing humankind. The major subsidiaries have each established environmental policies, and through everyday business activities, they carry out initiatives that give due consideration to environmental protection. Meanwhile, SFH has approved Sony Corporation's Road to Zero environmental plan*, whereby its main subsidiaries are engaged in environmental protection activities capitalizing on the strengths of each respective business.

**Sony Corporation's environmental plan: http://www.sony.net/SonyInfo/csr/eco/RoadToZero*

Group Company Activities

Acquisition of ISO 14001 Certification

Sony Life, Sony Assurance and Sony Bank* have acquired ISO 14001 certification, the international standard for environmental management systems. All three companies promote energy-saving and natural resource-saving activities such as targets for reduced energy and photocopier paper usage, recycling through sorting waste disposal and green procurement to raise the percentage of eco-products used in office supplies.

**ISO 14001 certification covers the head offices of Sony Life and Sony Assurance, along with Sony Bank's head office and the Housing Loan Plaza. The Sony Financial Group conducts regular internal environmental audits of ISO 14001-certified offices, and the audit results are reported to top management.*

Use of Green Power

Green Power

In fiscal 2005, Sony Life became the first Japanese life insurance company to introduce a Green Power Certification System, which enables companies to use green power in their business activities and thus reduce CO_2 emissions. Sony Assurance also adopted this system for the period from fiscal 2007 to fiscal 2013, and then adopted the J-Credit Scheme* from fiscal 2014 for reducing CO_2 emissions.

From fiscal 2008, Sony Bank has utilized the system to cover all of its power usage (excluding the portion of power usage in outsourced operations) as a "Carbon Offset Bank." Since fiscal 2013, it has been offsetting 100% of its CO_2 emissions through the use of credits certified under the J-Credit Scheme, instead of the green power certificates used formerly.

In this way, each Group company contributes to the wider use of natural sources of power, such as solar and wind power, geothermal power, and biomass. In fiscal 2014, the entire Group purchased green power certificates and J-Credits equivalent to 1,570 MWh.

**The J-Credit Scheme is a system whereby the government certifies credits for the reduction or absorption of greenhouse gas emissions such as CO_2 through measures including the introduction of energy-saving equipment or forest management. Credits used by Sony Bank are generated through increases in CO_2 absorption via forest management activities (forest thinning, for example). Accordingly, Sony Bank's use of credits also supports activities to nurture woodlands.*

Reducing CO_2 Emissions by Switching to Paperless Contract Procedures and Electronic Issuance of Documents for Customers

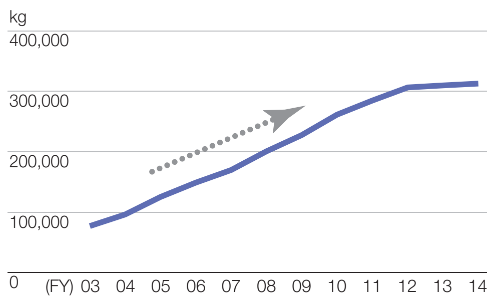
The Sony Financial Group has been striving to conserve paper resources and cut down on CO_2 emissions related to postal mailings by shifting to paperless documentation for certain contract procedures and transactions.

Sony Life has adopted paperless application procedures for life insurance policies since October 2012 by equipping its sales force with approximately 5,000 new tablet devices as part of its sales support system.

Sony Bank has requested that customers receive documents related to investment trust transactions in electronic format.

Sony Assurance has also made it possible to apply for automobile insurance policies online, thereby avoiding the printing and mailing of insurance application forms and other documents. In addition, Sony Assurance pursues environmental conservation activities such as a paperless insurance certificate discount of ¥500 on automobile insurance premiums for customers who buy a policy online and request not to have certificates of insurance and other documents printed and mailed.

Amount of CO_2 cut at Sony Assurance by reducing the volume of automobile insurance application forms printed and mailed



The number of customers who buy automobile insurance policies online is growing every year. This contributes to the reduction of CO_2 emissions related to the printing and mailing of application forms.

Basis for calculating CO_2 emissions generated by the printing and mailing of application forms

New customers	Amount of CO_2 generated in the printing of 1 application form	0.130 kg
	Amount of CO_2 generated in the mailing of 1 application form	0.097 kg
	Amount of CO_2 generated in the printing of 1 insurance certificate	0.114 kg
Renewal customers	Amount of CO_2 generated in the mailing of 1 application form	0.097 kg
	Amount of CO_2 generated in the printing of 1 renewal certificate	0.114 kg

Note: Calculations are based on CO_2 emission rates in Chart 2.2 of the Report from the Study Group on ICT Policy for Addressing Global Warming *(Ministry of Internal Affairs and Communications)*

Conservation Activities Together with Customers

Donating to the Sorabear Foundation

Teaming up with Sorabear Foundation, a non-profit organization that promotes the spread of renewable energies and environmental education, Sony Assurance has carried out a program to install solar power generators at kindergartens since March 2009.

Sony Assurance donates one yen to the Sorabear Foundation for every 100 kilometers of total distance that was not driven by its policyholders compared to the forecast distance. The Sorabear Foundation uses the donations to provide Sorabear power generation equipment—solar power generators—to kindergartens and nursery schools around the country. In fiscal 2014, the program contributed two solar power generators to nursery schools in Hiroshima and Miyazaki prefectures. To date, Sony Assurance has donated a total of 15 solar power generators through this program (as of July 1, 2015).

In addition, Sony Life began offering policy guidelines and agreements on CD-ROM for policies dated March 2, 2010 or later. Sony Life donates ¥10 for every policyholder who chooses a CD-ROM instead of paper documents when they sign up for insurance, and donates the proceeds to the Sorabear Foundation. In fiscal 2014, Sony Life used the collected donations to provide two solar power generators to nursery schools in Fukushima and Niigata prefectures.

Ceremony to mark the donation of Sorabear power generation equipment to Don Bosco nursery school in Miyazaki Prefecture, in October 2014

Opening an Account with Sony Bank Supports Forest Conservation in Sumatra

To protect World Heritage forests on the island of Sumatra, Sony Bank supports reforestation, the Elephant Patrol program*, and other conservation activities, as well as the activities of the World Wildlife Fund Japan (WWF Japan) to preserve forests through its Project for Forest Conservation in Sumatra, Indonesia. Since September 2012, Sony Bank has donated ¥10 to the project each time a customer opens a new account with Sony Bank. Customers can thus help support the effort to preserve Sumatra's forests simply by opening an account with Sony Bank.

**Staff astride elephants patrol for illegal activity and keep wild animals away from populated areas.*

Amount contributed up to March 2015 (cumulative)

Equivalent to **2,230** trees planted

*Equivalent to 343 trees planted in 2012, 757 trees planted in 2013 and 1,130 trees planted in 2014

Project for Forest Conservation in Sumatra, Indonesia

Customers → Sony Bank → WWF Japan

- Customers: Open a new bank account with Sony Bank
- Sony Bank: Contribute ¥10 per every newly opened account
- WWF Japan: Use the contributions to support the Project for Forest Conservation in Sumatra

Corporate Section

Corporate Information

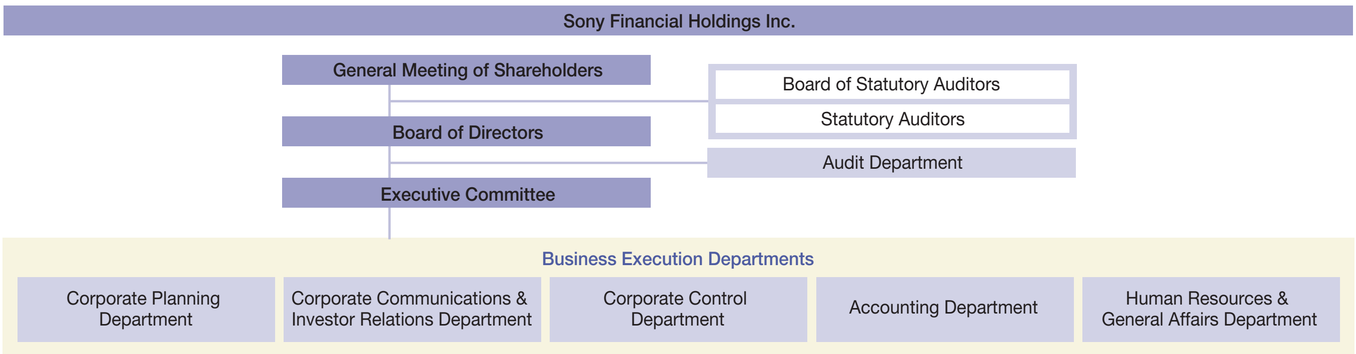
(As of March 31, 2015)

Name	Sony Financial Holdings Inc.
Established	April 1, 2004
Head office	1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo, Japan
Business	Management control of subsidiaries (life insurance companies, a non-life insurance company, a bank and others) specified by the Insurance Business Act of Japan and the Banking Act of Japan and all duties incidental to that role.
Number of employees	SFH: 48 (Consolidated: 8,448, Life insurance business: 6,762, Non-life insurance business: 1,118, Banking business: 532, Parent: 36)
Common stock	¥19,900 million

Note: The number of employees of SFH includes 9 belonging to the life insurance business, 1 belonging to the non-life insurance business, 2 belonging to the banking business, and 36 belonging to the parent.

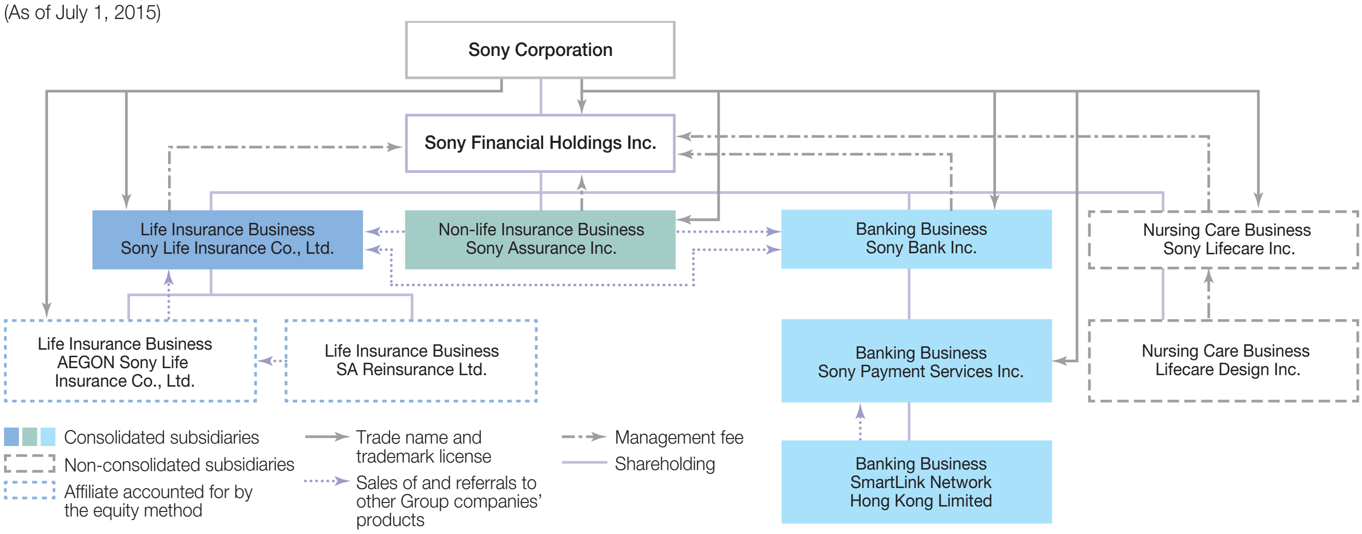
Organizational Chart

(As of July 1, 2015)



Sony Financial Group Organizational Chart of Business Operations

(As of July 1, 2015)



Notes: 1. The information for each business is based on SFH's classification of segment information.
2. Senior Enterprise Corporation, a subsidiary of Sony Lifecare Inc., changed its name to Lifecare Design Inc. on October 1, 2014.
SmartLink Network, Inc., a consolidated subsidiary of Sony Bank Inc., changed its name to Sony Payment Services Inc. on April 1, 2015.

Profiles of Group Companies

(As of July 1, 2015)

Life Insurance Business

Name	Established	Head office	Business	Common stock	Share ownership
Sony Life Insurance Co., Ltd.	August 10, 1979	1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo, Japan	Life insurance business	¥70,000 million	Sony Financial Holdings Inc. 100%
AEGON Sony Life Insurance Co., Ltd.	August 29, 2007	52-2, Jingumae 5-chome, Shibuya-ku, Tokyo, Japan	Life insurance business	¥13,000 million	Sony Life Insurance Co., Ltd. 50% AEGON International B.V. 50%
SA Reinsurance Ltd.	October 29, 2009	British Bermuda	Reinsurance business	¥11,000 million	Sony Life Insurance Co., Ltd. 50% AEGON International B.V. 50%

Non-life Insurance Business

Name	Established	Head office	Business	Common stock	Share ownership
Sony Assurance Inc.	June 10, 1998	37-1, Kamata 5-chome, Ota-ku, Tokyo, Japan	Non-life insurance business	¥20,000 million	Sony Financial Holdings Inc. 100%

Banking Business

Name	Established	Head office	Business	Common stock	Share ownership
Sony Bank Inc.	April 2, 2001	3-26, Kanda-Nishikicho, Chiyoda-ku, Tokyo, Japan	Banking business	¥31,000 million	Sony Financial Holdings Inc. 100%
Sony Payment Services Inc.	September 1, 2006	3-13, Takanawa 1-chome, Minato-ku, Tokyo, Japan	Credit card settlement services	¥488 million	Sony Bank Inc. 57%, 4 other companies
SmartLink Network Hong Kong Limited	February 27, 2013	Hong Kong, China	Credit card settlement services	¥13 million	Sony Payment Services Inc. 100%

Nursing Care Business

Name	Established	Head office	Business	Common stock	Share ownership
Sony Lifecare Inc.	April 1, 2014	11-11, Shibuya 3-chome, Shibuya-ku, Tokyo, Japan	Management control of companies handling the nursing care business, and other duties incidental to that role	¥760 million	Sony Financial Holdings Inc. 100%
Lifecare Design Inc.	October 5, 1999	11-11, Shibuya 3-chome, Shibuya-ku, Tokyo, Japan	Planning, development and operation of nursing care homes	¥495 million	Sony Lifecare Inc. 100%

Senior Management of Main Subsidiaries

(As of July 1, 2015)

	Title	Name	Concurrent Positions at Sony Group and SFH's Main Subsidiaries
Sony Life	Chairman, Director	Katsumi Ihara	President, Representative Director of Sony Financial Holdings Inc. Director of Sony Assurance Inc. Director of Sony Bank Inc.
	President, Representative Director	Tomoo Hagimoto	Director of Sony Financial Holdings Inc.
	Representative Director	Masamitsu Shimaoka	—
	Directors	Yuichiro Sumimoto	—
		Shigeru Ishii	Executive Vice President, Representative Director of Sony Financial Holdings Inc. Director of Sony Assurance Inc. Director of Sony Bank Inc.
		Hiroaki Kiyomiya	Managing Director of Sony Financial Holdings Inc. Director of Sony Assurance Inc. Director of Sony Bank Inc.
	Standing Statutory Auditor	Mitsuhiro Koizumi	Statutory Auditor of Sony Financial Holdings Inc.
	Statutory Auditors	Yasuyuki Hayase	Standing Statutory Auditor of Sony Financial Holdings Inc. Statutory Auditor of Sony Assurance Inc. Statutory Auditor of Sony Bank Inc.
		Masayoshi Fukuya	Statutory Auditor of Sony Assurance Inc.
Sony Assurance	President, Representative Director	Atsuo Niwa	Director of Sony Financial Holdings Inc.
	Representative Director	Takashi Sakuma	—
	Directors	Toshihiko Fukumoto	—
		Katsumi Ihara	President, Representative Director of Sony Financial Holdings Inc. Chairman, Director of Sony Life Insurance Co., Ltd. Director of Sony Bank Inc.
		Shigeru Ishii	Executive Vice President, Representative Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd. Director of Sony Bank Inc.
		Hiroaki Kiyomiya	Managing Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd. Director of Sony Bank Inc.
	Standing Statutory Auditor	Masayoshi Fukuya	Statutory Auditor of Sony Life Insurance Co., Ltd.
	Statutory Auditors	Yasuyuki Hayase	Standing Statutory Auditor of Sony Financial Holdings Inc. Statutory Auditor of Sony Life Insurance Co., Ltd. Statutory Auditor of Sony Bank Inc.
		Takayuki Nakagawa	Senior Manager, Japan Tax Planning Section, Tax Planning Office, Global Accounting Division of Sony Corporate Services (Japan) Corporation
Sony Bank	President, Representative Director	Yutaka Ito	Director of Sony Financial Holdings Inc.
	Executive Vice President, Representative Director	Takayuki Suzuki	—
	Directors	Katsumi Ihara	President, Representative Director of Sony Financial Holdings Inc. Chairman, Director of Sony Life Insurance Co., Ltd. Director of Sony Assurance Inc.
		Shigeru Ishii	Executive Vice President, Representative Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd. Director of Sony Assurance Inc.
		Hiroaki Kiyomiya	Managing Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd. Director of Sony Assurance Inc.
		Tohru Nakajima	—
	Standing Statutory Auditor	Shinji Sugiyama	—
	Statutory Auditors	Yasuyuki Hayase	Standing Statutory Auditor of Sony Financial Holdings Inc. Statutory Auditor of Sony Life Insurance Co., Ltd. Statutory Auditor of Sony Assurance Inc.
		Hidemichi Takenaka	Deputy General Manager, Tax Planning Office, Global Accounting Division of Sony Corporate Services (Japan) Corporation

Stock Information

Information on Common Stock, Shares Outstanding

Date	Increase in Issued Shares	Total Number of Shares Issued	Increase in Common Stock (Millions of yen)	Common Stock (Millions of yen)	Increase in Capital Surplus (Millions of yen)	Capital Surplus (Millions of yen)
April 1, 2004 (Note 2)	2,000,000	2,000,000	500	500	175,877	175,877
June 25, 2004 (Note 3)	100,000	2,100,000	5,000	5,500	5,000	180,877
October 10, 2007 (Note 4)	75,000	2,175,000	14,400	19,900	14,400	195,277
March 31, 2011	—	2,175,000	—	19,900	—	195,277
April 1, 2011 (Note 5)	432,825,000	435,000,000	—	19,900	—	195,277

Notes: 1. The shares outstanding listed above are all common stock with full voting rights and no restrictions, which are the standard shares of SFH.
2. Issued due to the company's establishment.
3. Issued in a private placement of 100,000 shares (0.05 shares for each share) to shareholders for an issue price of ¥100,000 per share. The amount added to common stock was ¥50,000 per share.
4. Issued in a general book-building offering for an issue price of ¥400,000 per share and an underwriting price (the amount paid) of ¥384,000 per share. The amount added to common stock was ¥192,000 per share and the total amount paid was ¥28.8 billion.
5. Issued due to a 200-for-1 stock split, with an effective date of April 1, 2011. Furthermore, the share unit system was adopted, whereby 100 shares constitute one unit.

Stock Exchange Listing

(As of July 1, 2015)

The First Section of the Tokyo Stock Exchange (Securities code: 8729)

Major Shareholders

(As of March 31, 2015)

Name	Number of Shares Held	Percentage of Ownership (%)
Sony Corporation	261,000,000	60.00
GOLDMAN, SACHS & CO. REG	12,220,167	2.80
STATE STREET BANK AND TRUST COMPANY 505223	11,325,544	2.60
Japan Trustee Services Bank, Ltd. (Trust Account)	8,039,337	1.84
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,992,300	1.83
STATE STREET BANK AND TRUST COMPANY	6,271,057	1.44
JP MORGAN CHASE BANK 385632	6,266,611	1.44
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	5,801,019	1.33
SAJAP	5,028,100	1.15
MORGAN STANLEY & CO. LLC	2,912,692	0.66

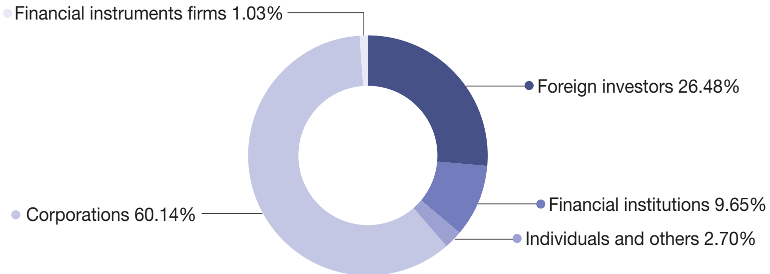
Distribution of Share Ownership

(As of March 31, 2015)

By shareholder type

Total number of shares issued

435,000,000



Corporate Section

Dividend Policy

Dividends	FY2011	FY2012	FY2013	**FY2014**	**FY2015 (Forecast)**
Consolidated Net Income	¥32.8 billion	¥45.0 billion	¥40.5 billion	**¥54.4 billion**	**¥57.0 billion***
Net Income per Share	¥75.43	¥103.60	¥93.11	**¥125.10**	**¥131**
Dividend per Share	¥20	¥25	¥30	**¥40**	**¥55**
Dividend Payout Ratio (Consolidated)	26.5%	24.1%	32.2%	**32.0%**	**42.0%**

**The above consolidated net income for FY2015 (Forecast) is equivalent to the amount of "profit attributable to owners of the parent" of the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and the related revision.*

Basic Policy on Returning Profits to Shareholders

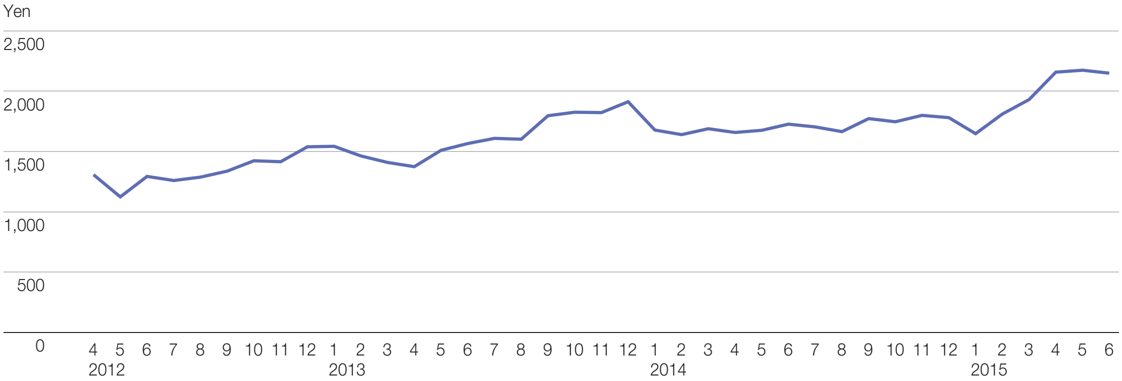
SFH aims for steady increases in dividends in line with earnings growth over the medium and long terms, while securing sufficient internal reserves to ensure the financial soundness of Group companies and to invest in growth fields. We have decided to revise upward our medium-term target for the dividend payout ratio from the current range of 30% to 40%, to that of 40% to 50% of consolidated net income, further enhancing shareholder returns. Management will determine specific dividend amounts for each fiscal year by taking into account a comprehensive range of factors, including the capital adequacy of each Group company relative to risks, investment opportunities, business forecasts and legal and regulatory developments worldwide.

SFH pays dividends once a year as a year-end dividend. The Articles of Incorporation of SFH stipulate that it may also issue an interim dividend. In regard to the decision-making entities for the payment of dividends, the General Meeting of Shareholders decides the year-end dividend, while the Board of Directors decides the interim dividend.

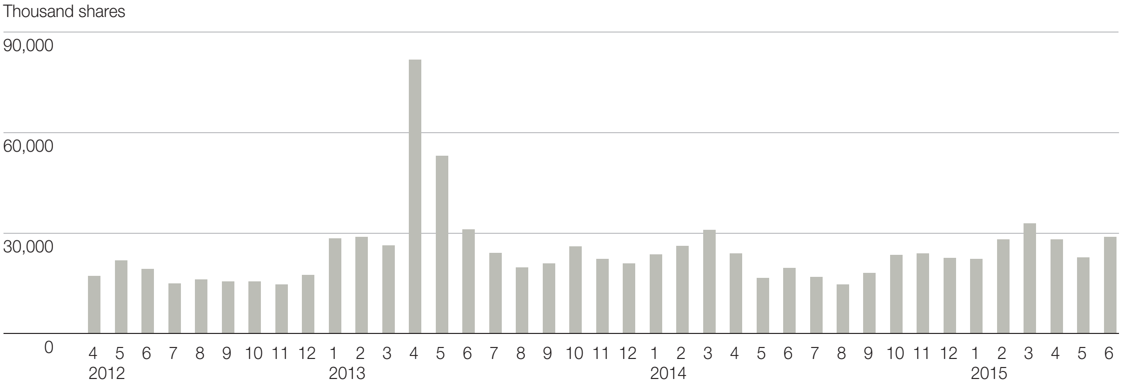
As regards the year-end dividend for fiscal 2014, taking this period's overall operating performance into consideration, SFH declared a year-end dividend of ¥40 per share, up ¥10 from the previous fiscal year, representing an annual dividend amount of ¥17,399 million. This dividend was approved by resolution of the Ordinary General Meeting of Shareholders held on June 24, 2015.

In terms of the year-end dividend for fiscal 2015, taking into account a comprehensive range of factors, including the policy mentioned above and business forecasts for fiscal 2015, SFH plans to raise the amount by ¥15 to ¥55 per share.

Share Price



Trading Volume



Financial Section

Contents

SFH Consolidated Financial Statements

Consolidated Balance Sheets

Sony Financial Holdings Inc.
As of March 31, 2014 and 2015

	Millions of yen	
	2014	**2015**
Assets		
Cash and due from banks	¥ 204,546	**¥ 134,803**
Call loans and bills bought	40,628	**77,234**
Monetary trusts	325,831	**336,842**
Securities	6,822,151	**7,377,545**
Loans	1,211,638	**1,349,586**
Tangible fixed assets	71,565	**123,083**
Land	30,103	**83,007**
Buildings	37,030	**35,323**
Leased assets	106	**74**
Construction in progress	947	**1,666**
Other tangible fixed assets	3,376	**3,010**
Intangible fixed assets	36,774	**33,366**
Software	36,571	**33,245**
Goodwill	179	**99**
Other intangible fixed assets	24	**21**
Due from reinsurers	158	**297**
Foreign exchanges	7,752	**2,224**
Other assets	100,503	**102,756**
Net defined benefit asset	1,730	**3,005**
Deferred tax assets	19,872	**6,545**
Reserve for possible loan losses	(1,769)	**(1,422)**
Total Assets	¥8,841,382	**¥9,545,868**

	2014	2015
	Millions of yen	
Liabilities		
Policy reserves and others	¥6,263,315	**¥6,879,055**
Reserve for outstanding claims	57,400	**61,114**
Policy reserves	6,201,676	**6,813,749**
Reserve for policyholders' dividends	4,237	**4,191**
Due to agencies	2,169	**2,450**
Due to reinsurers	650	**675**
Deposits	1,889,970	**1,872,860**
Call money and bills sold	6,000	**6,000**
Borrowed money	20,000	**20,000**
Foreign exchanges	40	**46**
Bonds payable	20,000	**20,000**
Other liabilities	95,725	**122,340**
Reserve for employees' bonuses	3,204	**3,395**
Net defined benefit liability	30,272	**24,558**
Reserve for directors' retirement benefits	250	**338**
Special reserves	41,657	**42,969**
Reserve for price fluctuations	41,657	**42,969**
Deferred tax liabilities	539	**—**
Deferred tax liabilities on land revaluation	536	**503**
Total Liabilities	8,374,332	**8,995,195**
Net Assets		
Shareholders' equity		
Common stock	19,900	**19,900**
Capital surplus	195,277	**195,277**
Retained earnings	164,790	**212,124**
Treasury stock	(0)	**(0)**
Total shareholders' equity	379,967	**427,301**
Accumulated other comprehensive income		
Net unrealized gains (losses) on other securities, net of taxes	92,002	**127,166**
Net deferred gains (losses) on hedging instruments, net of taxes	(2,388)	**(2,086)**
Land revaluation, net of taxes	(1,513)	**(1,480)**
Foreign currency translation adjustments	0	**0**
Remeasurements of defined benefit plans, net of taxes	(2,292)	**(1,522)**
Total accumulated other comprehensive income	85,807	**122,078**
Minority interests	1,275	**1,292**
Total Net Assets	467,050	**550,672**
Total Liabilities and Net Assets	¥8,841,382	**¥9,545,868**

See accompanying "Notes to the Consolidated Financial Statements."

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Sony Financial Holdings Inc.
For the years ended March 31, 2014 and 2015

(1) Consolidated Statements of Income

	Millions of yen	
	2014	**2015**
Ordinary Revenues	¥1,320,456	**¥1,352,325**
Ordinary Revenues from the Life Insurance Business	1,194,315	**1,221,077**
Income from insurance premiums	959,911	**912,605**
Insurance premiums	958,585	**911,068**
Ceded reinsurance commissions	1,325	**1,537**
Investment income	211,829	**279,691**
Interest income and dividends	121,666	**133,135**
Income from monetary trusts, net	5,311	**5,283**
Gains on trading securities	—	**507**
Gains on sale of securities	773	**8,899**
Gains on redemption of securities	2	**1**
Gains on derivatives, net	172	**—**
Foreign exchange gains, net	1,183	**5,068**
Other investment income	47	**7**
Gains on separate accounts, net	82,670	**126,789**
Other ordinary income	22,575	**28,780**
Ordinary Revenues from the Non-life Insurance Business	89,863	**93,022**
Underwriting income	88,639	**91,761**
Net premiums written	88,600	**91,712**
Interest and dividends on deposits of premiums	39	**48**
Other underwriting income	—	**0**
Investment income	1,199	**1,235**
Interest income and dividends	1,209	**1,268**
Gains on sale of securities	25	**15**
Gains on redemption of securities	3	**—**
Transfer to interest and dividends on deposits of premiums	(39)	**(48)**
Other ordinary income	24	**25**
Ordinary Revenues from the Banking Business	36,277	**38,224**
Interest income	26,328	**26,132**
Interest income on loans	14,134	**14,070**
Interest income and dividends on securities	12,077	**11,960**
Interest income on call loans and bills bought	8	**7**
Interest income on deposits with banks	107	**93**
Other interest income	0	**0**
Fees and commissions	4,928	**5,880**
Other operating income	4,864	**5,997**
Gains on foreign exchange transactions, net	2,782	**3,906**
Others	2,082	**2,090**
Other ordinary income	155	**213**

(Continued on next page)

	2014	2015
		Millions of yen
Ordinary Expenses	¥1,244,319	**¥1,262,262**
Ordinary Expenses from the Life Insurance Business	1,128,787	**1,145,087**
Insurance claims and other payments	327,257	**382,902**
Insurance claims	77,413	**79,622**
Annuity payments	10,768	**11,280**
Insurance benefits	55,510	**63,166**
Surrender payments	178,402	**223,130**
Other payments	3,203	**3,675**
Reinsurance premiums	1,959	**2,027**
Provision for policy reserves and others	650,764	**604,357**
Provision for reserve for outstanding claims	55	**746**
Provision for policy reserves	650,703	**603,607**
Interest portion of reserve for policyholders' dividends	5	**3**
Investment expenses	8,182	**9,439**
Interest expenses	48	**31**
Losses on sale of securities	528	**0**
Losses on redemption of securities	—	**0**
Losses on derivatives, net	—	**2,099**
Provision for reserve for possible loan losses	6	**32**
Depreciation of real estate for rent and others	1,952	**1,833**
Other investment expenses	5,646	**5,441**
Operating expenses	113,442	**115,237**
Other ordinary expenses	29,140	**33,149**
Ordinary Expenses from the Non-life Insurance Business	86,189	**88,115**
Underwriting expenses	65,030	**65,206**
Net losses paid	46,183	**45,985**
Loss adjustment expenses	6,367	**6,857**
Net commission and brokerage fees	948	**929**
Provision for reserve for outstanding losses	4,098	**2,966**
Provision for underwriting reserves	7,433	**8,465**
Other underwriting expenses	0	**0**
Investment expenses	7	**1**
Losses on sale of securities	5	**1**
Losses on redemption of securities	2	**—**
Operating, general and administrative expenses	21,150	**22,900**
Other ordinary expenses	0	**7**

(Continued on next page)

Consolidated Statements of Income (Continued)

	Millions of yen	
	2014	**2015**
Ordinary Expenses from the Banking Business	¥29,343	**¥29,060**
Interest expenses	8,964	**9,407**
Interest expenses on deposits	4,905	**5,012**
Interest expenses on call money and bills sold	6	**6**
Interest on borrowed money	26	**22**
Interest expenses on bonds	119	**97**
Interest expenses on interest rate swaps	3,905	**4,268**
Other interest expenses	0	**0**
Fees and commissions	1,735	**1,948**
Other operating expenses	1,424	**135**
General and administrative expenses	16,920	**17,517**
Other ordinary expenses	298	**50**
Ordinary Profit	76,136	**90,062**
Extraordinary Losses	9,508	**1,927**
Losses on disposal of fixed assets	137	**511**
Impairment losses	36	**71**
Provision for special reserves	9,312	**1,311**
Provision for reserve for price fluctuations	9,312	**1,311**
Losses on transfer of business	—	**32**
Others	20	**—**
Provision for Reserve for Policyholders' Dividends	2,232	**2,153**
Income before Income Taxes	64,396	**85,981**
Income Taxes-Current	26,451	**32,207**
Income Taxes-Deferred	(2,517)	**(668)**
Total Income Taxes	23,933	**31,538**
Income before Minority Interests	40,462	**54,442**
Minority Interests in Income (Loss)	(42)	**23**
Net Income	¥40,504	**¥54,419**

See accompanying "Notes to the Consolidated Financial Statements."

(2) Consolidated Statements of Comprehensive Income

	Millions of yen	
	2014	**2015**
Income before Minority Interests	¥40,462	**¥54,442**
Other Comprehensive Income		
Net unrealized gains (losses) on other securities, net of taxes	3,672	**35,164**
Net deferred gains (losses) on hedging instruments, net of taxes	659	**302**
Land revaluation, net of taxes	—	**33**
Foreign currency translation adjustments	0	**1**
Remeasurements of defined benefit plans, net of taxes	—	**762**
Share of other comprehensive income of affiliates accounted for using equity method	0	**0**
Total other comprehensive income	4,332	**36,264**
Comprehensive Income	¥44,794	**¥90,707**
(Details)		
Comprehensive income attributable to parent company	¥44,837	**¥90,690**
Comprehensive income attributable to minority interests	¥ (42)	**¥ 16**

Consolidated Statements of Changes in Net Assets

Sony Financial Holdings Inc.
For the years ended March 31, 2014 and 2015

Millions of yen

	2014				
	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	¥19,900	¥195,277	¥135,160	¥—	¥350,337
Changes during the period					
Dividends from surplus	—	—	(10,875)	—	(10,875)
Net income	—	—	40,504	—	40,504
Purchase of treasury stock	—	—	—	(0)	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the period	—	—	29,629	(0)	29,629
Balance at the end of the period	¥19,900	¥195,277	¥164,790	¥ (0)	¥379,967

Millions of yen

	2014							
	Accumulated Other Comprehensive Income							
	Net unrealized gains (losses) on other securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Land revaluation, net of taxes	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Minority Interests	Total Net Assets
Balance at the beginning of the period	¥88,329	¥(3,047)	¥(1,513)	¥—	¥ —	¥83,767	¥1,339	¥435,444
Changes during the period								
Dividends from surplus	—	—	—	—	—	—	—	(10,875)
Net income	—	—	—	—	—	—	—	40,504
Purchase of treasury stock	—	—	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	3,672	659	—	0	(2,292)	2,039	(64)	1,975
Total changes during the period	3,672	659	—	0	(2,292)	2,039	(64)	31,605
Balance at the end of the period	¥92,002	¥(2,388)	¥(1,513)	¥ 0	¥(2,292)	¥85,807	¥1,275	¥467,050

(Continued on next page)

Consolidated Statements of Changes in Net Assets (Continued)

Millions of yen

	2015				
	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	¥19,900	¥195,277	¥164,790	¥(0)	¥379,967
Cumulative effects of changes in accounting policies	—	—	5,965	—	5,965
Restated balance at the beginning of the period	19,900	195,277	170,755	(0)	385,932
Changes during the period					
Dividends from surplus	—	—	(13,049)	—	(13,049)
Net income	—	—	54,419	—	54,419
Purchase of treasury stock	—	—	—	(0)	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the period	—	—	41,369	(0)	41,369
Balance at the end of the period	¥19,900	¥195,277	¥212,124	¥(0)	¥427,301

Millions of yen

	2015							
	Accumulated Other Comprehensive Income							
	Net unrealized gains (losses) on other securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Land revaluation, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Minority Interests	Total Net Assets
Balance at the beginning of the period	¥92,002	¥(2,388)	¥(1,513)	¥ 0	¥(2,292)	¥ 85,807	¥1,275	¥467,050
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	5,965
Restated balance at the beginning of the period	92,002	(2,388)	(1,513)	0	(2,292)	85,807	1,275	473,015
Changes during the period								
Dividends from surplus	—	—	—	—	—	—	—	(13,049)
Net income	—	—	—	—	—	—	—	54,419
Purchase of treasury stock	—	—	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	35,164	302	33	0	769	36,270	16	36,287
Total changes during the period	35,164	302	33	0	769	36,270	16	77,657
Balance at the end of the period	¥127,166	¥(2,086)	¥(1,480)	¥ 0	¥(1,522)	¥122,078	¥1,292	¥550,672

See accompanying "Notes to the Consolidated Financial Statements."

Consolidated Statements of Cash Flows

Sony Financial Holdings Inc.
For the years ended March 31, 2014 and 2015

	Millions of yen	
	2014	**2015**
Cash flows from operating activities		
Income before income taxes	¥ 64,396	**¥ 85,981**
Depreciation of real estate for rent and others	1,952	**1,833**
Depreciation and amortization	9,147	**9,686**
Impairment losses	36	**71**
Amortization of goodwill	79	**79**
Increase (decrease) in reserve for outstanding claims	4,153	**3,713**
Increase (decrease) in policy reserve	658,136	**612,072**
Increase in interest portion of reserve for policyholders' dividends	5	**3**
Increase (decrease) in reserve for policyholders' dividends	2,232	**2,153**
Increase (decrease) in reserve for possible loan losses	(108)	**(116)**
Increase (decrease) in net defined benefit liability	2,865	**2,954**
Increase (decrease) in reserve for directors' retirement benefits	(161)	**88**
Increase (decrease) in reserve for price fluctuations	9,312	**1,311**
Interest income and dividends	(149,204)	**(160,536)**
(Gains) losses on securities	(74,996)	**(134,394)**
Interest expenses	9,012	**9,438**
Exchange (gains) losses	(30,559)	**(32,341)**
(Gains) losses on disposal of tangible fixed assets	146	**42**
Equity in (gains) losses of affiliates	1,538	**1,506**
Net (increase) decrease in loans	(87,193)	**(129,767)**
Net increase (decrease) in deposits	33,559	**(16,093)**
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	20,000	**—**
Net (increase) decrease in call loans and bills bought	4,000	**—**
Net increase (decrease) in call money and bills sold	(4,000)	**—**
Net (increase) decrease in foreign exchange (assets)	202	**5,528**
Net increase (decrease) in foreign exchange (liabilities)	(47)	**6**
Others, net	7,078	**27,714**
Subtotal	481,587	**290,938**
Interest and dividends received	160,737	**172,736**
Interest paid	(9,178)	**(9,117)**
Policyholders' dividends paid	(2,273)	**(2,202)**
Income taxes paid	(29,134)	**(26,698)**
Net cash provided by (used in) operating activities	601,738	**425,656**
Cash flows from investing activities		
Investments in monetary trusts	(2,301)	**(3,081)**
Proceeds from sale of monetary trusts	5,100	**5,300**
Purchases of securities	(990,899)	**(943,359)**
Proceeds from sale and redemption of securities	480,946	**588,936**
Investments in loans	(54,102)	**(54,199)**
Collections of loans	25,405	**24,618**
Others	—	**(1,626)**
Total of net cash provided by (used in) investment transactions	(535,850)	**(383,413)**
Total of net cash provided by (used in) operating activities and investment transactions	65,887	**42,243**
Purchases of tangible fixed assets	(3,326)	**(54,563)**
Proceeds from sale of tangible fixed assets	2,021	**—**
Purchases of intangible fixed assets	(7,707)	**(4,712)**
Purchase of securities of a subsidiary	(1,058)	**(1,000)**
Purchase of securities of affiliates	(3,500)	**(2,500)**
Others	75	**758**
Net cash provided by (used in) investing activities	(549,346)	**(445,431)**
Cash flows from financing activities		
Cash dividends paid	(10,878)	**(13,050)**
Net decrease in subordinated borrowings	(2,000)	**—**
Purchase of treasury stock	(0)	**(0)**
Balance from securitization of lease receivables	(600)	**—**
Others	(43)	**(36)**
Net cash provided by (used in) financing activities	(13,522)	**(13,087)**
Effect of exchange rate changes on cash and cash equivalents	5	**4**
Net increase (decrease) in cash and cash equivalents	38,875	**(32,857)**
Cash and cash equivalents at the beginning of the period	201,404	**240,279**
Cash and cash equivalents at the end of the period	¥ 240,279	**¥ 207,422**

See accompanying "Notes to the Consolidated Financial Statements."
Note: The above Consolidated Statements of Cash Flows have been prepared based on Article 210-10 of Ordinance for Enforcement of the Insurance Business Act of Japan.

Notes to the Consolidated Financial Statements

(For the year ended March 31, 2015)

1 Basis of Presenting Consolidated Financial Statements

Sony Financial Holdings Inc. (“SFH”) and its domestic subsidiaries maintain their accounting records and prepare their financial statements in Japanese yen in accordance with the provisions set forth in the Companies Act of Japan, the Insurance Business Act of Japan and the Banking Act of Japan and in conformity with generally accepted accounting principles and practices in Japan, which differ in certain respects from the application and disclosure requirements of generally accepted accounting principles and practices under the International Financial Reporting Standards.

2 Principles of Consolidation

(1) Scope of consolidation

Number of consolidated subsidiaries: 5

Consolidated subsidiaries: Sony Life Insurance Co., Ltd., Sony Assurance Inc., Sony Bank Inc., SmartLink Network, Inc. (changed its name to “Sony Payment Services Inc.” on April 1, 2015), and SmartLink Network Hong Kong Limited.

Number of non-consolidated subsidiaries: 2

Non-consolidated subsidiaries: Sony Lifecare Inc. and Lifecare Design Inc.

Sony Lifecare Inc. and Lifecare Design Inc. are excluded from the scope of consolidation for the current year because they are immaterial in light of the total assets, ordinary revenues, net income or loss, retained earnings, and accumulated other comprehensive income and their exclusion from the scope of consolidation does not hinder a rational judgment of the Sony Financial Group’s financial position and results of operations.

(2) Application of the equity method

Number of affiliates accounted for by the equity method: 2

Affiliates accounted for by the equity method: AEGON Sony Life Insurance Co., Ltd., and SA Reinsurance Ltd.

Number of non-consolidated subsidiaries and affiliates that are not accounted for by the equity method: 2

Non-consolidated subsidiaries and affiliates that are not accounted for by the equity method: Sony Lifecare Inc. and Lifecare Design Inc.

Sony Lifecare Inc. and Lifecare Design Inc., the non-consolidated subsidiaries, are not accounted for by the equity method because they are immaterial in light of the net income or loss, retained earnings, and accumulated other comprehensive income and their exclusion does not hinder a rational judgment of the Sony Financial Group’s financial position and results of operations.

(3) Fiscal year-end of consolidated subsidiaries

Fiscal year-end of all consolidated subsidiaries is March 31, the same date as the consolidated financial statements of SFH.

(4) Amortization of goodwill

Goodwill is amortized using the straight-line method over 5 years.

3 Summary of Significant Accounting Policies

(1) Securities

Securities, including monetary claims bought which are equivalent to securities, and securities managed as assets of money held in trust, are stated in the following manner: Securities held for trading purposes (“trading securities”) are stated at fair value with unrealized gains and losses charged to income. The cost of such securities sold is determined by the moving-average method. Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving-average method. Available-for-sale securities whose fair values are readily determinable are stated at fair value in the consolidated balance sheets based on market prices prevailing at each balance sheet date, with unrealized gains (losses), net of taxes, included in net assets and acquisition costs calculated using the moving-average method. Available-for-sale securities whose fair values are deemed extremely difficult to determine are stated at acquisition cost based on the moving-average method.

(2) Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value included in income for the period in which they arise, except for derivatives that are designated by SFH and its consolidated subsidiaries (the "Companies") as "hedging instruments."

(3) Tangible fixed assets (excluding leased assets)

All tangible fixed assets, including real estate for lease, are initially recorded at cost. Subsequent expenses related to asset improvements are capitalized or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Companies and the cost of the item can be measured reliably. All other repairs and maintenance charges are charged to income when incurred.

Depreciation is computed by the straight-line method over the estimated useful lives of the assets as follows:

- Buildings: 2 to 47 years
- Other tangible fixed assets: 2 to 20 years

(4) Intangible fixed assets (excluding leased assets)

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method generally over 5 years, its estimated useful life.

(5) Leased assets

All leased assets with respect to non-ownership-transfer finance leases are amortized by the straight-line method over the lease term, without any residual value.

(6) Reserve for possible loan losses

The reserve for possible loan losses is provided as follows for losses from bad debts mainly in accordance with self-assessment guidelines and write-off and reserve guidelines. With respect to receivables such as loans to borrowers subject to bankruptcy, court-guided rehabilitation, or similar legal or formal proceedings (the "Bankrupt Borrowers"), loans to borrowers that are substantially in the same condition as the Bankrupt Borrowers (the "Substantially Bankrupt Borrowers") and money on deposits whose market value declined significantly, the Companies provide a reserve in the amount expected to be uncollectible after deducting amounts expected to be collectible from collateral, guarantees and other means. For loans to borrowers that are not yet bankrupt but are highly likely to be bankrupt in the future (the "potentially bankrupt borrowers"), the Companies provide a reserve in the amount deemed necessary by comprehensively considering the borrowers' solvency, of the remaining amount after deducting amounts expected to be collectible from collateral, guarantees and other means. For other loans, the Companies provide a reserve in the amount calculated by multiplying the loans by a historical loan loss ratio determined over certain periods. All loans are subject to asset assessment by the related operational departments in accordance with self-assessment guidelines, and the assessment results are reviewed by the departments responsible for asset inspection that are independent from the operational departments. The amount of reserve is provided based upon the above results.

(7) Reserve for employees' bonuses

The reserve for employees' bonuses is provided for the estimated amount of bonuses the Companies are required to pay for services provided during the current fiscal year.

(8) Reserve for directors' retirement benefits

The reserve for directors' and statutory auditors' retirement benefits is provided based on the internal regulations of the Companies and calculated at the amount that would be payable if all eligible directors and statutory auditors were to resign at the fiscal year-end.

(9) Reserve for price fluctuations

Pursuant to requirements under Article 115 of the Insurance Business Act of Japan, the reserve for price fluctuations is provided for price fluctuations primarily related to stocks, bonds and foreign currency-denominated assets which are exposed to losses due to market price fluctuations. This reserve is only used to reduce losses arising from price fluctuations on those assets.

(10) Accounting for retirement benefits

1) Method of attributing projected retirement benefits

In the calculation of retirement benefit obligations, the Companies mainly apply the benefit formula basis in attributing projected retirement benefits to the periods until the end of the current fiscal year.

2) Amortization method of net actuarial gain or loss, prior service cost and net obligation at transition

Unrecognized net obligation at transition is amortized using the straight-line method over 15 years. Unrecognized prior service cost is amortized using the straight-line method over 10 years within the employees' average remaining service period at incurrence. Unrecognized net actuarial gain or loss is amortized using the straight-line method over 7 to 16 years within the employees' average remaining service period, commencing from the fiscal year immediately following incurrence.

(11) Translation of foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the foreign exchange rates in effect at each balance sheet date, whereas components of net assets denominated in foreign currencies are translated at historical rates. The current year's profit and loss accounts are translated into yen using the average exchange rate for the fiscal year.

(12) Hedge accounting

The banking subsidiary applies either deferred hedge accounting or fair value hedge accounting to its transactions for hedging interest rate risks on financial assets and liabilities. With regard to hedging that offsets fluctuating interest rates on fixed-rate loans, the subsidiary identifies the hedged items that are grouped on the basis of a certain period of their remaining maturity and designates interest rate swaps as a hedging instrument, in accordance with "Accounting and Auditing Treatments on Application of Accounting Standard for Financial Instruments in the Banking Industry" (Industry Audit Committee of the Japanese Institute of Certified Public Accountants (the "Industry Audit Committee") Statement No. 24).

With regard to hedging that fixes the cash flow of a forecasted transaction of a short-term fixed-rate deposit, the subsidiary identifies the hedged items that are grouped on the basis of a certain period of their interest rate revision and designates interest rate swaps as a hedging instrument, in accordance with the Industry Audit Committee, Statement No. 24. With regard to hedging that offsets fluctuations in the fair value of fixed-rate bonds which are classified as available-for-sale securities, the subsidiary identifies the hedged items individually and designates interest rate swaps and others as a hedging instrument. The above-mentioned hedging instruments are designated with almost identical significant terms and conditions for both the hedging items and the hedged instruments. Accordingly, such hedges are considered highly effective, allowing the banking subsidiary to ensure hedging effectiveness.

(13) Cash and cash equivalents

Cash equivalents consist of highly liquid investments without significant market risks, such as demand deposits and short-term investments with an original maturity of 3 months or less.

(14) Accounting for consumption taxes

National and local consumption taxes (the "consumption taxes") received and paid by the Companies, excluding loss adjustment expenses and operating, general and administrative expenses of SFH's non-life insurance subsidiary, are not included in income and expenses. Under the Consumption Tax Act of Japan, the consumption taxes paid on property and equipment are not deductible from the consumption taxes received; they are recorded as "other assets" and amortized on a straight-line basis over 5 years. Other non-deductible consumption taxes are charged to income as incurred.

(15) Policy reserves

Pursuant to Article 116 of the Insurance Business Act of Japan, SFH's life insurance subsidiary maintains a policy reserve for the fulfillment of future obligations under life insurance contracts. The policy reserve is established by the net level premium reserve method, which assumes a constant or level amount of net insurance premiums over the term of the relevant policy when calculating the amount of the reserve required to fund all future policy claims. The net insurance premium is a portion of the premium covering insurance under-writing risk, which is estimated based on factors such as mortality rates, investment yield, surrender rates and other factors. The net level premium reserve for individual insurance contracts underwritten from FY1996 is calculated using mortality and interest rates set by the Financial Services Agency of Japan as standard policy reserve. Additionally, the net level premium reserve for individual insurance contracts underwritten before FY1996 is calculated using mortality and interest rates approved by the supervisor of insurance business in Japan.

(16) Changes in accounting policies

Application of Accounting Standards for Retirement Benefits

The Companies have applied Clause 35 of the "Accounting Standards for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and Clause 67 of the "Guidance on Accounting Standards for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015) from this fiscal year. Accordingly, the Companies have reviewed the calculation method of retirement benefit obligations and service costs, changed the method of attributing expected benefit to periods from the point basis and straight-line basis to the benefit formula basis, and changed the method of determination of the discount rate. Primarily, this change was from a discount rate based on a number of years approximately equal to the average remaining service period to a weighted average discount rate for expected retirement benefit payment periods and the expected payment amount for each expected payment period.

Following Clause 37 of the "Accounting Standards for Retirement Benefits," which stipulates transitional treatment of the new standard, the effect of the change in the calculation method of retirement benefit obligations and service costs is adjusted in retained earnings at the beginning of the fiscal year.

As a result, at the beginning of this fiscal year, net defined benefit liability decreased ¥8,341 million, deferred tax assets fell ¥2,651 million, net defined benefit assets increased ¥274 million, and retained earnings grew ¥5,965 million. Ordinary profit and income before income taxes for the year ended March 31, 2015, declined ¥231 million.

Net assets per share increased ¥13.34 during the year, while net income per share declined ¥0.37. Fully diluted net income per share was unaffected, as no dilutive shares exist.

(17) Changes in presentation method

In the past, the Companies included amounts of interest on interest rate swaps and the like, which are hedging instrument gains (losses) resulting from interest rate risk hedging on available-for-sale securities, within "Other operating income" and "Other operating expenses" for the banking business in the consolidated statements of income and in "Income before income taxes" within cash flows from operating activities in the consolidated statements of cash flows. From this fiscal year, the Companies have instead included these amounts in "Interest income" and "Interest expenses," in the consolidated statements of income and "Interest income and dividends" and "Interest expenses" within cash flows from operating activities in the consolidated statements of cash flows.

The Companies made this change to clarify hedging effectiveness by correlating the gains (losses) of hedged assets with the losses (gains) of the hedging instrument. The Companies made this change because of the growing importance of hedge transactions following an increase in the bond investment balance that is hedged.

As a result, ¥1,987 million presented as "Other operating expenses" in the consolidated statements of income for the previous fiscal year has been restated to ¥690 million for "Other operating income" and ¥2,678 million for "Interest expenses."

Furthermore, restatements in the consolidated statements of cash flows included ¥2,678 million in interest expenses, interest paid of ¥(2,713) million and "others" of ¥34 million.

4 Notes to the Consolidated Balance Sheets

1. Securities with a book value of ¥27,918 million were pledged as collateral for the ¥6,000 million of call money and bills sold, and the ¥20,000 million of borrowed money at March 31, 2015. In addition to the assets described above, securities with a book value of ¥49,107 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2015.

2. Securities include shares in non-consolidated subsidiaries and affiliates worth ¥12,570 million. Among this, investments in jointly controlled companies are ¥10,510 million.

3. The balance of loans includes ¥207 million in loans to bankrupt borrowers (before deductions for reserve for possible loan losses) and ¥1,430 million in non-accrual delinquent loans (before deductions for reserve for possible loan losses). Loans to bankrupt borrowers include loans that have been in arrears on principal or interest payments for a considerably long period of time or loans (before deductions for reserve for possible loan losses) on which principal or interest payments are considered unlikely to occur in the future for other reasons and on which interest income is not recognized. These loans are with reasons defined under Article 96-1-3, i through v of the Order for Enforcement of the Corporation Tax Act (Enforcement Order 97 of 1965), or 96-1-4 of the same guidelines. Non-accrual delinquent loans are loans on which accrued interest income is not recognized, excluding loans to bankrupt borrowers and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

4. The balance of loans does not include past due loans (3 months or more). Past due loans (3 months or more) are loans on which principal or interest payments are delayed for 3 months or more from the date following the due date, excluding loans to bankrupt borrowers and non-accrual delinquent loans.

5. The balance of loans includes ¥1,715 million in restructured loans (before deductions for reserve for possible loan losses). Restructured loans are loans on which terms and conditions have been amended in favor of the borrowers (e.g., reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt waiver) in order to support the borrowers' recovery from financial difficulties, excluding loans to bankrupt borrowers, non-accrual delinquent loans and past due loans (3 months or more).

6. The total amount of loans to bankrupt borrowers, non-accrual delinquent loans, and restructured loans was ¥3,353 million (before deductions for reserve for possible loan losses).

7. In terms of loan participation, the participating principals that were accounted for as loans to the original obligor in accordance with "Accounting and Presentation of Loan Participation" (Accounting Standards Committee of the Japanese Institute of Certified Public Accountants, Statement No. 3) includes the consolidated balance sheet amount of ¥3,008 million.

8. Accumulated depreciation of tangible fixed assets as of March 31, 2015 was ¥28,741 million.

9. The balance sheet includes ¥793,344 million in assets and liabilities in equal amounts related to separate accounts as stipulated in Article 118 of the Insurance Business Act of Japan as of March 31, 2015, at SFH's life insurance subsidiary.

10. Changes in the reserve for policyholders' dividends at SFH's life insurance subsidiary for the fiscal year ended March 31, 2015 are as follows:

Balance at the beginning of the fiscal year	¥4,237 million
Policyholders' dividends during the fiscal year	¥2,202 million
Increase in interest	¥3 million
Provision for reserve for policyholders' dividends	¥2,153 million
Balance at the end of the fiscal year	¥4,191 million

11. On March 31, 2002, SFH's life insurance subsidiary revalued its land for operating purposes, as permitted by the Act on Revaluation of Land (Act No. 34, enacted March 31, 1998—the "Law"). The tax effect of the revaluation difference is accounted for differently, depending on whether there are gains or losses; when there is a loss, a valuation allowance is fully provided for the tax effect of the loss, and when there is a gain, the tax effect is recorded in "deferred tax liabilities on land revaluation." After excluding these amounts, the net revaluation difference is reported as "land revaluation" in net assets.

The revaluation method stipulated by Article 3-3 of the Law was based on the land appraisal in conformity with Article 2-5 of the Order for Enforcement related to the Law (Cabinet Order No. 119, effective from March 31, 1998).

12. Contracts for commitments to provide credit lines and overdrafts of the life insurance subsidiary and the banking subsidiary are agreements to lend to customers, up to a prescribed amount, as long as there is no violation of the conditions stipulated in the contracts. The amount of unused commitments at March 31, 2015 was ¥25,439 million, and the amount of unused commitments whose original contract terms are within 1 year at March 31, 2015 was ¥22,505 million.

13. Expected future losses of the life insurance subsidiary under the life insurance policyholder protection structure stipulated under Article 259 of the Insurance Business Act of Japan amounted to ¥9,869 million. Such losses are recognized as expenses during the fiscal year in which they are contributed.

14. Net assets per share were ¥1,262.94.

15. Financial Instruments

(1) Description of financial instruments

1) Policy on financial instruments

The Companies conduct the life insurance, non-life insurance and banking businesses in accordance with the provisions of the Insurance Business Act of Japan, the Banking Act of Japan and other relevant provisions. With regard to financial assets (except for assets in separate accounts as stipulated in Item 1, Article 118 of the Insurance Business Act of Japan in the life insurance business), to ensure steady investment income the Companies hold various investment assets, including Japanese government and corporate bonds, foreign government and corporate bonds, Japanese stocks and loans. Deposits from individual customers in the banking business account for nearly all of the Companies' financial liabilities. Although the Companies hold financial assets as well as financial liabilities, which are subject to the risk of interest rate and exchange rate fluctuations, they strive to protect themselves from the negative effects of these fluctuations by maintaining an appropriate balance between assets and liabilities by conducting asset-liability management (ALM) in each of the businesses. Furthermore, derivative transactions are used to mitigate risks in the life insurance business and banking business.

2) Financial instruments and related risks

Securities and loans constitute the majority of the Companies' financial asset holdings. Most of the securities holdings are in Japanese government and corporate bonds. Other holdings include Japanese stocks, foreign securities and funds invested in investment associations. These holdings are intended either for trading, for holding to maturity or for available-for-sale, and they are subject to various risks, including interest rate risk, credit risk, stock price fluctuation risk and exchange rate risk. Furthermore, the Companies hold some of their financial assets in the shares of overseas unlisted companies, which have limited liquidity.

The majority of loans are policy loans in the life insurance business, and individual mortgage loans in the banking business. These loans carry the credit risk of default, as well as interest rate risk. However, policy loans are limited to the amount of surrender payments, and mortgage loans are backed by real estate. Consequently, loan-related risks are relatively low.

Financial liabilities, meanwhile, are mainly deposits from individual customers, which are subject to interest rate risk. As some of these deposits are denominated in foreign currencies, they are subject to exchange rate risk, as well as interest rate risk.

The life insurance business uses several derivative transactions such as interest rate swaps for hedging interest rate risks on assets and liabilities, forward foreign exchange transactions for hedging foreign exchange risks associated with foreign currency-denominated assets as well as the minimum guarantees for individual variable life insurance, and stock index futures trading for hedging stock risks associated with the minimum guarantees for individual variable life insurance, and as a matter of policy, does not use derivative transactions for speculative purposes. Hedge accounting is not applied to derivative transactions used in the life insurance business.

The banking business uses several derivative transactions primarily as one aspect of ALM. In this category, hedge accounting is applied. Interest rate swaps are used to hedge against the interest rate risk of fixed-rate loans and deposits. In respect of loans, the banking subsidiary ensures hedge effectiveness by confirming at the commencement of hedging that the hedged loans and the interest rate swaps as hedging instruments are grouped on the basis of three months or less of the remaining maturity. In respect of deposits, the banking subsidiary ensures hedge effectiveness by confirming at the commencement of hedging that the hedged deposits and the interest rate swaps as hedging instruments share the same interest rate index, and are grouped on the basis of three months or less of the interest rate revision terms.

Interest rate swaps and others are used as hedging instruments to offset fluctuations in the fair value of fixed-rate bonds classified as available-for-sale securities. When the hedge is implemented, the banking subsidiary determines hedge effectiveness by confirming that the cash flows of the securities to be hedged match those of the hedging method (such as interest rate swaps).

Transactions involving financial instruments are subject to liquidity risk. Liquidity risk includes cash flow risk and market liquidity risk. Cash flow risk is the risk of our inability to make cash payments when due because of an inability to maintain sufficient cash reserves, as well as the risk of loss if the Companies are forced to raise funds under unfavorable conditions in order to obtain cash to meet their payment obligations. Market liquidity risk is risk of loss due to an inability to conduct market transactions, in particular from an inability to change our market position at a given time, as well as the risk of loss if the Companies are forced to complete transactions under unfavorable market conditions, in each case due to market turmoil or other factors.

3) Risk management of financial instruments

SFH formulates fundamental principles for risk management and manages risks specific to its subsidiaries' scale, business content and other attributes. Our Risk Management Guidelines establish specific conditions for managing Group risks, while each of the subsidiaries manages risks on its own. SFH's Corporate Control Department submits periodic reports to SFH's Board of Directors and Executive Committee on subsidiaries' risk management conditions recognized through monitoring or by holding Risk Management Meetings.

(i) Credit risk

The Companies use the following methods to manage the credit risk of principal subsidiaries:

(a) The life insurance subsidiary manages issuer credit risk on securities and counterparty risk by specifying details such as risk management methods and procedures in regulations. The risk management division periodically reports this information to the Board of Directors and the Executive Committee.

(b) The non-life insurance subsidiary ascertains issuer credit risk and market values on securities in line with various regulations for asset management risk. The risk management division periodically reports such information to the Board of Directors and the Executive Committee.

(c) The banking subsidiary has formulated and conformed to various regulations for managing credit risks, and controls credit risk depending on the nature of each type of financial asset. In respect of individual loans, the subsidiary has developed a framework for managing individual credit, including credit screenings, management of credit information, setting of collateral and the handling of problem assets on a case-by-case basis.

In respect of corporate loans or bonds payable, the subsidiary has developed a framework for managing corporate credit and market credit, including credit screenings, credit limit control, the management of credit information, credit ratings, the setting of guarantees or collateral, and handling of problem assets on a case-by-case basis.

The subsidiary manages market credit risk, such as securities issuer credit risk and, on derivative transactions, counterparty risk, by periodically assessing market value information.

The aforementioned credit risk management is carried out by the risk management division and the screening division. These divisions periodically report risk management conditions to management via the Board of Directors and the Executive Committee. In addition, the internal audit division conducts regular audits.

(ii) Market risk

The Companies use the following methods to manage the market risk of principal subsidiaries:

(a) The life insurance subsidiary manages various market-related risks in the following manner:

- ***Interest rate risk*** Interest rate risk is managed by specifying details such as risk management methods and procedures in regulations. Based on ALM policies that are determined through such methods as deliberation by the Executive Committee, the subsidiary determines and confirms actual risk conditions with the Board of Directors. The subsidiary's risk management division maintains an overall grasp on the interest rates and durations of financial instruments, and monitors them based on the analysis of the quantity of risk using value at risk (VaR). The division periodically reports such information to the Board of Directors and the Executive Committee.
- ***Exchange rate risk*** Exchange rate risk is managed by specifying details such as risk management methods and procedures in regulations. The risk management division reports the information regularly to the Board of Directors and the Executive Committee.
- ***Risk associated with equity securities*** The subsidiary's risk management division periodically analyzes the amount of risk by the methods prescribed in the regulations. The risk management division reports this information regularly to the Board of Directors and the Executive Committee.
- ***Derivative transactions*** Derivative transactions are managed by specifying details such as risk management methods and procedures in regulations. The risk management division reports the information regularly to the Board of Directors and the Executive Committee.

(b) The non-life insurance subsidiary manages various market-related risks in the following manner:

- ***Interest rate risk*** Regulations on asset management risk specify the details such as risk management methods and procedures based on risk management policies determined by the Board of Directors. The risk management division monitors individual risks and reports regularly to the Board of Directors and the Executive Committee.
- ***Price fluctuation risk*** The equity securities exposed to price fluctuation risk are held for strategic investment for the purpose of enhancing the business partnerships. The subsidiary monitors the market environment and financial condition of business partners.

(c) The banking subsidiary manages various market-related risks in the following manner. The risk management division handles each of these risks and periodically reports risk management conditions to the Board of Directors and the Executive Committee. In addition, the internal audit division conducts regular audits.

- ***Interest rate and exchange rate risk*** By formulating and conforming with market risk management regulations, the subsidiary manages the risk of loss from changes in the value of assets and liabilities (including off-balance-sheet items) as well as from changes in income from assets and liabilities, owing to fluctuations in various market risk factors, such as interest rates, exchange rates and stock prices. Market risk management regulations specify details such as risk management methods and procedures. Based on ALM and risk management policies that are determined through such methods as deliberation by the Board of Directors, an ALM committee and a risk management committee meet—typically once each month—to understand and confirm actual conditions and deliberate future responses and risk conditions. On a daily basis, the risk management division maintains an overall understanding of interest and exchange rates on financial assets and liabilities, as well as their durations, conducts monitoring that includes VaR and interest rate sensitivity analysis, and ensures regulatory conformance. In relation to ALM, the subsidiary also conducts interest rate swaps, currency swaps, foreign exchange and other derivative transactions to hedge against interest and exchange rate fluctuation risks.
- ***Market price fluctuation risk*** The subsidiary manages the holding of investment products, including securities, in accordance with market risk management regulations as well as market credit risk. The investment division purchases securities externally, and risks associated with changes in the market price of such securities are managed through prior screening by the screening division, the setting and control of investment limits by the risk management division, and continuous monitoring by each responsible division.
- ***Derivative transactions*** Derivative transactions are executed in accordance with regulations on market risk. The subsidiary also separates and conducts internal checks of individual departments' execution of transactions, evaluation of hedge effectiveness and operations management.

• ***Quantitative information on market risk*** The principal financial instruments affected by the major risk parameters of interest rate risk and exchange rate fluctuation risk are loans, securities, deposits in the banking business and derivative transactions.

The impact of such risks on these financial assets and liabilities was calculated using the historical simulation method to determine gains or losses over a given period of 20 business days, assuming the fluctuation of interest and exchange rates within a rational forecast band determined over an observation period of 250 business days. The Companies then employed quantitative analysis to manage interest rate and exchange rate fluctuation risks. The resulting risk amount with a 99% confidence interval was ¥435 million as of March 31, 2015.

This amount of impact is based on the assumption that risk parameters other than interest rates and exchange rates are fixed. In the event that fluctuations exceed the rational forecast band for interest and exchange rates, the risk impact may exceed the amount calculated. The aforementioned market risk management is carried out primarily by the risk management division. The division periodically reports risk management conditions to the Board of Directors and the Executive Committee. In addition, the internal audit division conducts regular audits.

(iii) Liquidity risk

The Companies use the following methods to manage the liquidity risk of principal subsidiaries.

(a) At the life insurance subsidiary, in line with liquidity risk management regulations, the accounting division prepares and updates cash flow plans in a timely manner based on the reports from departments and manages cash flows, and the risk management division manages the liquidity risk. The accounting division and risk management division periodically or as needed report this information to the Board of Directors and the Executive Committee.

(b) The non-life insurance subsidiary establishes regulations related to liquidity risk. Its cash flow management division prepares and updates cash flow plans. The risk management division manages liquidity risk by monitoring the situations and periodically reports the information to the Board of Directors and the Executive Committee.

(c) The banking subsidiary has formulated and conformed with regulations for managing liquidity risk, and manages a variety of liquidity risks. Concerning the management of cash flow risks, cash flows are classified into phases based on the degree of pressure,and methods for risk management and reporting are set out for each phase, while guidelines are formulated and reviewed as necessary. To manage market liquidity risk, the subsidiary works to understand market liquidity conditions that pertain to the types of products it handles. The subsidiary formulates and revises guidelines on a product by product basis, as necessary. The aforementioned liquidity risk management is carried out by the risk management division. The division periodically reports risk management conditions to the Board of Directors and the Executive Committee. In addition, the internal audit division conducts regular audits.

4) Supplementary explanation of the fair value of financial instruments

Market prices of financial instruments are considered to indicate their fair value, unless market prices are not available. In this case, rational methods are used to measure their fair values. Although these measurements use assumptions that are believed to be reasonable under the circumstances, the resulting values may differ if measured using different assumptions.

Derivative transaction contract amounts indicated in “(2) Fair value information on financial instruments” do not themselves indicate the volume of market risk related to derivative transactions.

(2) Fair value information on financial instruments

Below is fair value information on financial instruments as of March 31, 2015, excluding securities whose fair values are deemed extremely difficult to determine (see Note 2).

Millions of yen

	2015		
As of March 31,	Consolidated balance sheet amount	Fair value	Difference
1) Cash and due from banks	¥ 134,803	¥ 134,803	¥ —
2) Call loans and bills bought	77,234	77,234	—
3) Monetary trust			
Monetary trusts for trading	565	565	—
Other monetary trusts	336,276	336,276	—
4) Securities			
Trading securities	761,473	761,473	—
Held-to-maturity securities	4,956,260	5,805,065	848,804
Available-for-sale securities	1,625,050	1,625,050	—
5) Loans	1,349,586		
Reserve for possible loan losses (*1)	(1,153)		
Loans (after deduction for reserve for possible loan losses)	1,348,433	1,470,052	121,619
Total Financial Assets	¥9,240,096	¥10,210,520	¥970,424
1) Deposits	¥1,872,860	¥ 1,874,170	¥ 1,309
2) Bonds payable	20,000	20,107	107
Total Financial Liabilities	¥1,892,860	¥ 1,894,278	¥ 1,417
Derivative financial instruments (*2)			
Hedge accounting not applied	¥ [906]	¥ [906]	¥ —
Hedge accounting applied	[25,295]	[25,295]	—
Total Derivative Financial Instruments	¥ [26,202]	¥ [26,202]	¥ —

*(*1) Excludes general and specific reserves for possible loan losses.*
*(*2) Figures are totals resulting from derivative transactions, which are accounted for as other assets and liabilities on the consolidated balance sheets. If the total is a debt amount, the above figure is shown in [ ].*

(Note 1) Measurement of the fair value of financial instruments

Financial Assets

1) Cash and due from banks and 2) Call loans and bills bought

The fair value is regarded as the carrying amount, as they are approximately equal.

3) Monetary trusts

In individual monetary trusts mainly for investment purposes, the fair value of securities (bonds) is the market price on financial instrument exchanges or the price indicated by a financial institution. Please see "17. Fair value information on monetary trusts," which indicates fair values by purpose.

4) Securities

The fair value of stocks is the market price on stock markets or financial instrument exchanges. The fair value of bonds and investment funds is the market price or the price indicated by a financial institution. Please see "16. Fair value information on securities," which indicates fair values by purpose.

5) Loans

(i) Loans in the banking business

The fair value of loans is measured by estimating their future cash flows and then applying predetermined discount rates, depending on the type of loan. The discount rate is determined by adding to the Libor-based yield curve a risk premium corresponding to the rate used to determine the general reserve for possible loan losses.

(ii) Policy loans in the life insurance business

The fair value of policy loans is measured by discounting future cash flows to their present value.

(iii) General loans in the life insurance business

The fair value of general loans is regarded as the carrying amount, as they are approximately equal.

Financial Liabilities

1) **Deposits**

The fair value of deposits is measured by estimating the deposits' future cash flows and then applying a prescribed discount rate, depending on the type of deposit. The discount rate is determined by adding to the Libor-based yield curve a premium corresponding to the banking subsidiary's cumulative default rate by rating.

2) **Bonds payable**

The fair value of bonds payable depends on the prices quoted on the bond and other markets, or indicated by financial institutions and others.

Derivative Transactions

Please see "18. Derivative financial instruments," which indicates measurement of fair value.

(Note 2) Securities whose fair values are deemed extremely difficult to determine are as follows. They are not included in "4) Securities" of Financial Assets in (Note 1) above.

	Millions of yen
	2015
As of March 31,	Consolidated balance sheet amount
1) Unlisted stocks in non-consolidated subsidiaries and affiliates (*1)	**¥12,570**
2) Investment in partnership (*2)	**22,191**
Total	**¥34,761**

*(*1) As unlisted stocks have no market prices and their fair values are deemed extremely difficult to determine, they are not included in the scope of fair value disclosure.*

*(*2) As assets included in "investment in partnership" are stocks in unlisted companies and their fair values are deemed extremely difficult to determine, they are not included in the scope of fair value disclosure.*

Note: Impairment losses on investment in partnership were recognized as ¥217 million for the year ended March 31, 2015. Impairment losses are principally recorded when the actual value as of the end of the fiscal year has declined by 50% or more from the acquisition cost.

(Note 3) Future redemption schedule of monetary claims and securities with maturities

	Millions of yen			
	2015			
As of March 31,	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Cash and due from banks	**¥134,803**	**¥ —**	**¥ —**	**¥ —**
Call loans and bills bought	**77,234**	**—**	**—**	**—**
Securities				
Held-to-maturity securities	**952**	**19,317**	**205,119**	**4,762,425**
Bonds	**952**	**19,217**	**205,019**	**4,614,293**
Japanese government and municipal bonds	**801**	**16,742**	**202,187**	**4,593,080**
Japanese corporate bonds	**151**	**2,475**	**2,832**	**21,213**
Others	**—**	**100**	**100**	**148,131**
Available-for-sale securities	**170,236**	**373,469**	**209,143**	**694,677**
Bonds	**31,529**	**96,198**	**143,141**	**690,700**
Japanese government and municipal bonds	**4,577**	**73,821**	**87,007**	**690,650**
Japanese corporate bonds	**26,952**	**22,377**	**56,134**	**50**
Others	**138,706**	**277,270**	**66,001**	**3,977**
Loans (*)	**33,076**	**64,643**	**66,082**	**1,021,951**
Total	**¥416,302**	**¥457,430**	**¥480,345**	**¥6,479,055**

(*) This figure excludes ¥162,397 million of loans such as policy loans that have no fixed redemption period.

(Note 4) Future return schedule of deposits and other liabilities with interest

Millions of yen

As of March 31,	2015					
	1 year or less	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
Deposits (*)	**¥1,779,609**	**¥18,379**	**¥14,980**	**¥4,661**	**¥10,162**	**¥45,067**
Bonds payable	**—**	**10,000**	**10,000**	**—**	**—**	**—**
Total	**¥1,779,609**	**¥28,379**	**¥24,980**	**¥4,661**	**¥10,162**	**¥45,067**

(*) Demand deposits are included in "1 year or less."

16. Fair value information on securities as of March 31, 2015:

(1) Trading-purpose securities

Millions of yen

As of March 31,	**2015**
Valuation gains changed to income	**¥89,147**

(2) Held-to-maturity securities

Millions of yen

As of March 31,	2015		
	Consolidated balance sheet amount	Fair value	Difference
Fair values exceeding the consolidated balance sheet amount			
Bonds	**¥4,857,893**	**¥5,683,055**	**¥825,162**
Japanese government and municipal bonds	**4,831,051**	**5,651,706**	**820,655**
Japanese corporate bonds	**26,842**	**31,349**	**4,506**
Others	**78,280**	**102,024**	**23,743**
Subtotal	**4,936,173**	**5,785,079**	**848,906**
Fair values not exceeding the consolidated balance sheet amount			
Bonds	**20,087**	**19,985**	**(101)**
Japanese government and municipal bonds	**20,087**	**19,985**	**(101)**
Japanese corporate bonds	**—**	**—**	**—**
Others	**—**	**—**	**—**
Subtotal	**20,087**	**19,985**	**(101)**
Total	**¥4,956,260**	**¥5,805,065**	**¥848,804**

(3) Available-for-sale securities

Millions of yen

As of March 31,	2015 Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding the acquisition cost			
Bonds	¥1,054,235	¥945,998	¥108,236
Japanese government and municipal bonds	950,926	845,008	105,917
Japanese corporate bonds	103,309	100,990	2,318
Equity securities	32,045	14,150	17,894
Others	376,767	360,986	15,780
Subtotal	1,463,047	1,321,136	141,911
Consolidated balance sheet amount not exceeding the acquisition cost			
Bonds	29,643	29,920	(276)
Japanese government and municipal bonds	24,084	24,356	(272)
Japanese corporate bonds	5,559	5,563	(4)
Equity securities	—	—	—
Others	132,359	132,647	(287)
Subtotal	162,002	162,567	(564)
Total	¥1,625,050	¥1,483,703	¥141,346

Note: As the investment in partnership of ¥22,191 million has no market price and its fair value is deemed extremely difficult to determine, it is not included in the table above.

(4) Held-to-maturity securities sold during the period

There is no related information to be reported.

(5) Available-for-sale securities sold during the period

Millions of yen

For the year ended March 31,	2015 Sales	Gains on sales	Losses on sales
Bonds	¥110,489	¥ 8,340	¥ 1
Japanese government and municipal bonds	106,934	8,316	1
Japanese corporate bonds	3,554	23	0
Equity securities	989	375	—
Others	84,811	1,680	30
Total	¥196,290	¥10,396	¥32

(6) Impairment of available-for-sale securities

Available-for-sale securities with market value are considered impaired if the market value decreases materially below the acquisition cost and such decline is considered non-recoverable. The market value is recognized as the consolidated balance sheet amount and the write-down is accounted for as a devaluation loss for the fiscal year.

No impairment loss was recognized for the year ended March 31, 2015.

"Material decline" is principally indicated when the market value declines by 30% or more below the acquisition cost.

17. Fair value information on monetary trusts as of March 31, 2015:

(1) Monetary trusts for trading

Millions of yen

As of March 31,	2015 Consolidated balance sheet amount	 Valuation gains or losses changed to income
Monetary trusts for trading	¥565	¥—

(2) Monetary trusts for held-to-maturity and policy reserve matching

There is no related information to be reported.

(3) Other monetary trusts (other than for trading, held-to-maturity or policy reserve matching)

Millions of yen

As of March 31,	2015 Consolidated balance sheet amount	 Acquisition cost	 Difference	 Items whose consolidated balance sheet amount exceeds acquisition cost	 Items whose consolidated balance sheet amount does not exceed acquisition cost
Other monetary trusts	¥336,276	¥291,067	¥45,208	¥45,208	¥—

Notes: 1. The amount of jointly invested monetary trusts that is included in the table above as of March 31, 2015 is ¥50 million.
2. "Items whose consolidated balance sheet amount exceeds acquisition cost" and "Items whose consolidated balance sheet amount does not exceed acquisition cost" are the breakdown of the difference.

(4) Impairment of other monetary trusts

Securities with market values that are included in monetary trusts for purposes other than trading, holding to maturity or policy reserve matching are considered impaired if their market value decreases materially below the acquisition cost and such decline is considered non-recoverable. Their market value is recognized as the consolidated balance sheet amount and the write-down is accounted for as a devaluation loss for the fiscal year.

No impairment loss was recognized for the year ended March 31, 2015.

"Material decline" is principally indicated when the market value declines by 30% or more below the acquisition cost.

18. Derivative financial instruments:

(1) Derivatives to which hedge accounting is not applied

The following provides a summary of contractual or notional amounts, current market or fair values and valuation gains or losses as of March 31, 2015 and the method of calculating the fair values of derivatives, classified by transaction, to which hedge accounting is not applied.

Notional amounts do not indicate market risk involved in derivative transactions.

1) Interest rate derivatives

Millions of yen

As of March 31,		2015 Notional amount total	 Notional amount over 1 year	 Fair value	 Valuation gains (losses)
Over-the-counter transactions	Interest rate swaps	¥1,000	¥1,000	¥139	¥139
Total		—	—	¥139	¥139

Notes: 1. The above transactions are valued at market, and the valuation gains or losses are recorded in the consolidated statements of income.
2. Fair value is measured using the discounted present value of estimated future cash flows.

2) Currency derivatives

Millions of yen

As of March 31,			2015 Notional amount total	2015 Notional amount over 1 year	2015 Fair value	2015 Valuation gains (losses)
Over-the-counter transactions	Forward foreign exchanges	Sold	¥144,512	¥—	¥ 42	¥ 42
		Bought	188,611	—	121	121
	Foreign exchange margin transactions	Sold	63,105	—	(1,319)	(1,319)
		Bought	20,875	—	1,624	1,624
	Currency options	Sold	503	—	(3)	0
		Bought	514	—	3	0
	Currency forward contracts	Sold	—	—	—	—
		Bought	12,917	—	(903)	(903)
Total			—	—	¥ (434)	¥ (433)

Notes: 1. The above transactions are valued at market, and the valuation gains or losses are recorded in the consolidated statements of income.
2. Fair value is measured using such as the discounted present value and option pricing models.

3) Stock derivatives

Millions of yen

As of March 31,			2015 Notional amount total	2015 Notional amount over 1 year	2015 Fair value	2015 Valuation gains (losses)
Listed	Stock index futures	Sold	¥21,903	¥—	¥(612)	¥(612)
Total			—	—	¥(612)	¥(612)

Notes: 1. The above transactions are valued at market, and the valuation gains or losses are recorded in the consolidated statements of income.
2. Fair value is the closing price on the Exchange at the end of the fiscal year.

(2) Derivatives to which hedge accounting is applied

The following provides a summary of contractual or notional amounts and current market or fair values as of March 31, 2015 and the method of calculating the fair values of derivatives, classified by transaction, for each hedge accounting, to which hedge accounting is applied. Notional amounts do not indicate market risk involved in derivative transactions.

1) Interest rate derivatives

Millions of yen

As of March 31,

Hedge accounting	Hedging instrument	Hedged item	2015 Notional amount total	2015 Notional amount over 1 year	2015 Fair value
Deferred hedge accounting	Interest rate swaps	Loans, deposits	¥ 39,000	¥ 39,000	¥ (1,095)
Fair value hedge accounting	Interest rate swaps	Available-for-sale securities (bonds)	362,048	321,092	(24,635)
Total			—	—	¥(25,731)

Notes: 1. The Companies apply deferred hedge accounting and fair value hedge accounting in accordance with "Accounting and Auditing Treatments on Application of Accounting Standard for Financial Instruments in the Banking Industry" (Industry Audit Committee of Japanese Institute of Certified Public Accountants Statement No. 24).
2. Fair value is measured mainly using discounted present value.

2) Currency derivatives

Millions of yen

As of March 31,

Hedge accounting	Hedging instrument	Hedged item	2015 Notional amount total	2015 Notional amount over 1 year	2015 Fair value
Fair value hedge accounting	Currency swaps	Available-for-sale securities (bonds)	¥8,998	¥2,168	¥435
Total			—	—	¥435

Notes: 1. The Companies apply mainly fair value hedge accounting.
2. Fair value is measured mainly using discounted present value.

19. Information about retirement benefit obligations as of March 31, 2015:

(1) Overview of retirement benefit plans

The life insurance subsidiary provides a lump-sum retirement benefit plan to sales staff and a defined benefit corporate pension plan and defined contribution pension plan to internal office staff. The non-life insurance subsidiary provides a lump-sum retirement benefit plan and a defined contribution pension plan. SFH and its banking subsidiary mainly provide a lump-sum retirement benefit plan. SFH calculates retirement benefit obligations based on the simplified method.

(2) Defined benefit plans

1) Reconciliation of beginning and ending balances of retirement benefit obligations (excluding those listed in 9))

	Millions of yen
For the year ended March 31,	2015
Balance at the beginning of the current period of retirement benefit obligations	¥38,875
Cumulative effects of changes in accounting policies	(8,616)
Restated balance at the beginning of the fiscal year	30,259
Service cost	3,543
Interest cost	172
Net actuarial gain arising during the period	1,237
Retirement benefits paid	(1,371)
Balance at the end of the current period of retirement benefit obligations	¥33,841

2) Reconciliation of beginning and ending balances of plan assets (excluding those listed in 9))

	Millions of yen
For the year ended March 31,	2015
Balance at the beginning of the current period of plan assets	¥10,427
Expected return on plan assets	158
Net actuarial gain arising during the period	1,071
Employer contribution	972
Retirement benefits paid	(264)
Balance at the end of the current period of plan assets	¥12,365

3) Reconciliation of the ending balances of retirement benefit obligations and plan assets, and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheets

	Millions of yen
As of March 31,	2015
Funded retirement benefit obligations	¥ 9,245
Plan assets	(12,365)
	(3,119)
Unfunded retirement benefit obligations	24,672
Net liabilities and assets recorded on the consolidated balance sheets	21,553
Net defined benefit liability	24,558
Net defined benefit asset	(3,005)
Net liabilities and assets recorded on the consolidated balance sheets	¥ 21,553

4) Components and amounts of retirement benefit expenses

For the year ended March 31,	Millions of yen 2015
Service cost	¥3,543
Interest cost	172
Expected return on plan assets	(158)
Amortization of net obligation at transition	414
Amortization of net actuarial gain	1,043
Amortization of prior service cost	(129)
Others	125
Retirement benefit expenses related to defined benefit plans	¥5,011

Note: SFH includes the retirement benefit expenses in the service cost based on the simplified method.

5) Remeasurements of defined benefit plans, net of taxes

For the year ended March 31,	Millions of yen 2015
Prior service cost	¥ (129)
Net actuarial gain	877
Net obligation at transition	414
Total	¥1,162

6) Accumulated remeasurements of defined benefit plans, net of taxes

As of March 31,	Millions of yen 2015
Unrecognized net actuarial gain	¥2,189
Total	¥2,189

7) Plan assets

(i) Main components of plan assets
The percentage share of components by main asset class out of total plan assets is as follows:

As of March 31,	% 2015
Bonds	57
Equity securities	38
Others	5
Total	100

(ii) Method of setting the long-term rate of expected return on plan assets
The long-term rate of expected return on plan assets is determined by taking into account the current and expected allocation of plan assets, and the current long-term return rate and the long-term return rate that is expected in the future based on the various assets that comprise the plan assets.

8) Basis for calculating actuarial gain or loss

Main basis for calculating actuarial gain or loss as of March 31, 2015

Discount rate	0.2% – 1.0%
Long-term rate of expected return on plan assets	1.5% – 3.0%

9) Reconciliation of beginning and ending balances of net defined benefit liability of the plan based on the simplified method

For the year ended March 31,	Millions of yen 2015
Balance at the beginning of the current period of net defined benefit liability	¥82
Retirement benefit expenses	8
Retirement benefits paid	(16)
Contribution to the plan	(4)
Others	7
Balance at the end of the current period of net defined benefit liability	¥77

(3) Defined contribution plans

The amount of contribution required for the defined contribution plans by the Companies was ¥245 million.

20. Information on tax effect accounting as of March 31, 2015:

(1) Breakdown of major factors giving rise to deferred tax assets and deferred tax liabilities

As of March 31,	Millions of yen 2015
Deferred tax assets	
Policy reserves and others	¥29,248
Reserve for price fluctuations	12,396
Net defined benefit liability	6,247
Write-down of securities	955
Net operating loss carryforwards for tax purposes	40
Depreciation and amortization	2,441
Net deferred losses on hedging instruments, net of taxes	1,084
Others	6,078
Subtotal of deferred tax assets	58,491
Valuation allowance	(1,102)
Total deferred tax assets	57,389
Deferred tax liabilities	
Net unrealized gains on other securities, net of taxes	(50,387)
Others	(457)
Total deferred tax liabilities	(50,844)
Net deferred tax assets (liabilities)	¥6,545

Note: Net deferred tax assets for the year ended March 31, 2015 are included in the following items of the consolidated balance sheets.

As of March 31,	Millions of yen 2015
Assets - Deferred tax assets	¥6,545
Liabilities - Deferred tax liabilities	—

(2) Breakdown of major items giving rise to a significant difference between the statutory effective tax rate and the effective income tax rate after application of tax effect accounting

As of March 31,	% 2015
Statutory effective tax rate	**35.6**
(Adjustments)	
Revision to reduce deferred tax assets at the fiscal year-end due to changes in tax rates	**4.3**
Difference in tax rate of subsidiaries	**(4.4)**
Increase (decrease) in valuation allowance	**0.0**
Others	**1.2**
Effective income tax rate after application of tax effect accounting	**36.7**

(3) Revision of deferred tax assets and deferred tax liabilities amounts due to changes in income tax rates

"The Bill on the Partial Amendment of the Income Tax Act, etc." (Act No. 9, 2015) and "The Bill on the Partial Amendment of the Local Income Tax Act, etc." (Act No. 2, 2015) were promulgated on March 31, 2015, and the income tax rate will be reduced from the fiscal years beginning on or after April 1, 2015. Accordingly, the statutory effective tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been changed from 35.64% to 33.10% for the temporary difference expected to be reversed in the fiscal year beginning on April 1, 2015, and 32.34% for that expected to be reversed in the fiscal years beginning on or after April 1, 2016.

The statutory effective tax rate used for the calculation of deferred tax assets and deferred tax liabilities by Sony Life Insurance Co., Ltd. and Sony Assurance Inc. will be reduced from 30.78% to 28.85% for the temporary difference expected to be eliminated in the fiscal years beginning on or after April 1, 2015, because certain portions of their tax base are not subject to taxes, those that are usually applied to income.

As a result of these changes in tax rates, the net amount of deferred tax assets (after deduction of deferred tax liabilities), net deferred losses on hedging instruments, net of taxes and remeasurements of defined benefit plans, net of taxes decreased ¥411 million, ¥109 million and ¥42 million, respectively, while income taxes–deferred and net unrealized gains on other securities, net of taxes increased ¥3,700 million and ¥3,441 million, respectively. Also, deferred tax liabilities on land revaluation decreased ¥33 million, while land revaluation, net of taxes increased by the same amount.

In addition, the use of tax loss carryforwards will be limited to 65% of taxable income before deducting tax loss carryforwards for the fiscal years beginning on or after April 1, 2015, and then to 50% for the fiscal years beginning on or after April 1, 2017, resulted in no impact on the consolidated financial statements.

21. Asset retirement obligations:

Asset retirement obligations recorded on the consolidated balance sheets

(1) Overview of asset retirement obligations

The reserve for asset retirement obligations is provided for the estimated amount of asbestos removal cost associated with investment and rental property in accordance with Ordinance on Prevention of Health Impairment due to Asbestos.

(2) Basis of measurement for asset retirement obligations

The amount of asset retirement obligations is calculated by estimating the usable period to be 13 to 33 years from acquisition and then applying a 1.2% to 2.3% discount rate.

(3) Changes in the balance of asset retirement obligations

For the year ended March 31,	Millions of yen 2015
Balance at the beginning of the current period	¥709
Increase due to purchase of tangible fixed assets	2
Changes resulting from the passage of time	14
Decrease due to execution of asset retirement obligations	(4)
Balance at the end of the current period	¥722

22. Fair value information on investment and rental property:
The life insurance subsidiary owns rental office buildings in Tokyo. Income related to investment and rental property amounted to ¥3,906 million for the year ended March 31, 2015. Below is the consolidated balance sheet amount, net of changes during the period, and the fair value at the end of the current period.

For the year ended March 31,	Millions of yen 2015
Consolidated balance sheet amount	
Balance at the beginning of the current period	¥ 57,253
Changes during the period	51,232
Balance at the end of the current period	108,486
Fair value at the end of the current period	¥156,998

Notes: 1. The consolidated balance sheet amount is the acquisition cost less accumulated depreciation and impairment losses.
2. Of the changes during the period, increases are mainly accounted for by the acquisition of real estate (¥53,033 million).
3. The fair value at the end of the current period is determined by a licensed third-party real estate appraisal agent.

5 Notes to the Consolidated Statements of Income

Net income per share is calculated based on the weighted-average number of shares of common stock outstanding during the period. For the year ended March 31, 2015, net income per share was ¥125.10. Diluted net income per share is not disclosed for the year ended March 31, 2015 as SFH had no potentially dilutive shares of common stock.

The basis for this calculation for the year ended March 31, 2015 is net income of ¥54,419 million, the entire amount of which is applicable to common stock. The weighted-average number of shares outstanding for the year ended March 31, 2015 was 434,999 thousand shares.

6 Notes to the Consolidated Statements of Comprehensive Income

Reclassification adjustments and income tax benefit (expense) on components of other comprehensive income for the year ended March 31, 2015 are as follows:

For the year ended March 31,	Millions of yen 2015
Net unrealized gains on other securities, net of taxes:	
Gains (losses) arising during the period	¥58,621
Reclassification adjustments	(13,393)
Pre-tax amount	45,228
Income tax benefit (expense)	(10,064)
Net unrealized gains on other securities, net of taxes	35,164
Net deferred losses on hedging instruments, net of taxes:	
Gains (losses) arising during the period	(248)
Reclassification adjustments	887
Pre-tax amount	639
Income tax benefit (expense)	(336)
Net deferred losses on hedging instruments, net of taxes	302
Land revaluation, net of taxes:	
Gains (losses) arising during the period	—
Reclassification adjustments	—
Pre-tax amount	—
Income tax benefit (expense)	33
Land revaluation, net of taxes	33
Foreign currency translation adjustments:	
Gains (losses) arising during the period	1
Reclassification adjustments	—
Pre-tax amount	1
Income tax benefit (expense)	—
Foreign currency translation adjustments	1
Remeasurements of defined benefit plans, net of taxes:	
Gains (losses) arising during the period	(168)
Reclassification adjustments	1,331
Pre-tax amount	1,162
Income tax benefit (expense)	(399)
Remeasurements of defined benefit plans, net of taxes	762
Share of other comprehensive income of affiliates accounted for using equity method	
Gains (losses) arising during the period	(0)
Reclassification adjustments	0
Share of other comprehensive income of affiliates accounted for using equity method	0
Total other comprehensive income	¥36,264

7 Notes to the Consolidated Statements of Changes in Net Assets

1. Types and numbers of shares issued are as follows:

Thousands of shares

For the year ended March 31,	2015 Number of shares as of April 1, 2014	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of March 31, 2015
Issued shares				
Common stock	435,000	—	—	435,000
Total	435,000	—	—	435,000
Treasury stock				
Common stock	0	0	—	0
Total	0	0	—	0

2. Information on dividends is as follows:

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2014	Common stock	¥13,049 million	¥30	March 31, 2014	June 25, 2014

(2) Dividends to be paid in the next fiscal year

Resolution	Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2015	Common stock	¥17,399 million	Retained earnings	¥40	March 31, 2015	June 25, 2015

8 Notes to the Consolidated Statements of Cash Flows

1. The reconciliation of cash and cash equivalents in the statement of cash flows to cash and due from banks as stated in the consolidated balance sheet as of March 31, 2015, is as follows:

Millions of yen

As of March 31,	2015
Cash and due from banks	¥134,803
Call loans of life insurance subsidiary	71,234
Securities of non-life insurance subsidiary maturing within 3 months of the acquisition date	1,385
Cash and cash equivalents	¥207,422

2. Cash flows from investing activities include cash flows from lending operations of the insurance business.

MCEV Results for Sony Life as of March 31, 2015

1 MCEV Results

Sony Life's MCEV as of March 31, 2015 increased ¥101.6 billion due to the contribution of new business, the decrease in inflation rates, the effect of the reduction in the corporate tax rate and other factors. While the value of existing business decreased significantly due to a decline in interest rates, most of the decrease was offset with the benefit of ALM (by the increase in the adjusted net worth). The breakdown is as follows:

Billions of yen

As of March 31,	2014	**2015**	Change
MCEV	¥1,221.3	**¥1,322.9**	¥ 101.6
Adjusted net worth	722.1	**1,119.2**	397.1
Value of existing business	499.1	**203.7**	(295.5)
New business value	55.2	**48.6**	(6.6)

2 Adjusted Net Worth

Adjusted net worth at the end of the current fiscal year increased by ¥397.1 billion, primarily because of the increase in unrealized gain on held-to-maturity securities caused by the decrease in interest rates. The breakdown is shown in the table below.

Billions of yen

As of March 31,	2014	**2015**	Change
Adjusted net worth	¥ 722.1	**¥1,119.2**	¥ 397.1
Total net assets	369.2	**432.5**	63.3
Reserve for price fluctuations	41.6	**42.8**	1.3
Contingency reserve	63.7	**68.7**	5.0
Reserve for possible loan losses	0.0	**0.0**	0.0
Unrealized gains or losses on held-to-maturity securities	430.3	**839.5**	409.1
Unrealized gains or losses on land and buildings	19.4	**49.8**	30.4
Unfunded pension liabilities	(3.2)	**(1.9)**	1.3
Intangible fixed assets	(23.9)	**(21.6)**	2.3
Tax effect equivalent of above seven items	(162.5)	**(282.0)**	(119.5)
Valuation gain or loss on subsidiaries and affiliated companies	(12.5)	**(8.7)**	3.8

Billions of yen

As of March 31,	2014	**2015**	Change
Adjusted net worth	¥722.1	**¥1,119.2**	¥397.1
Free surplus	566.2	**597.6**	31.4
Required capital	156.0	**521.6**	365.6

Sony Life sets its required capital as the larger of the amount of Japanese regulatory minimum capital requirement at the solvency margin ratio of 200% or the amount of capital to cover risks based on an internal model based on economic value. The increase in required capital at the end of the current fiscal year is due to an increase in the economic value of technical provisions that mainly resulted from the decrease in interest rates.

3 Value of Existing Business

Value of existing business decreased by ¥295.5 billion primarily due to the decrease in interest rates. The breakdown is shown in the table below.

Billions of yen

As of March 31,	2014	**2015**	Change
Value of existing business	¥ 499.1	**¥ 203.7**	¥(295.5)
Present value of certainty-equivalent profit	869.4	**652.9**	(216.5)
Time value of options and guarantees	(123.1)	**(154.9)**	(31.8)
Frictional costs	(9.2)	**(20.2)**	(11.0)
Cost of non-hedgeable risks	(237.9)	**(274.1)**	(36.2)

4 New Business Value

Despite the strong sales, new business value decreased by ¥6.6 billion primarily because of the decrease in interest rates. A breakdown of the value of new business is as follows:

Billions of yen

As of March 31,	2014	**2015**	Change
Value of new business	¥ 55.2	**¥ 48.6**	¥(6.6)
Present value of certainty-equivalent profit	84.9	**92.5**	7.7
Time value of options and guarantees	(9.4)	**(17.2)**	(7.8)
Frictional costs	(0.3)	**(0.4)**	(0.1)
Cost of non-hedgeable risks	(20.0)	**(26.3)**	(6.3)

5 New Business Margin

The new business margin described below is the ratio of the value of new business to the present value of premium income. The present value of premium income is calculated applying the same assumptions as those for the calculation of new business value, and is based on premiums before the deduction of reinsurance premiums.

Billions of yen

As of March 31,	2014	**2015**	Change
Value of new business	¥ 55.2	**¥ 48.6**	¥ (6.6)
Present value of premium income	1,069.7	**1,289.0**	219.3
Value of new business / Present value of premium income	5.2%	**3.8%**	(1.4) pt

6 Reconciliation Analysis from MCEV at the End of the Prior Year

The table below shows the reconciliation analysis of MCEV as of March 31, 2015, from MCEV as of March 31, 2014. The format of the table is in line with the format prescribed by European Insurance CFO Forum Market Consistent Embedded Value Principles©* (MCEV Principles).

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Billions of yen

	Free surplus	Required capital	Value of existing business	MCEV
Opening MCEV (MCEV as of March 31, 2014)	¥566.2	¥156.0	¥ 499.1	¥1,221.3
Opening adjustments	(20.0)	—	—	(20.0)
Adjusted opening MCEV	546.2	156.0	499.1	1,201.3
New business value	—	—	48.6	48.6
Expected existing business contribution (risk-free rate)	0.4	0.1	14.1	14.7
Expected existing business contribution (in excess of risk-free rate)	0.9	0.3	6.2	7.3
Transfers from value of existing business and required capital to free surplus	(4.7)	(35.0)	39.8	—
Of which, on new business	(53.7)	—	53.7	—
Experience variances	10.0	(2.2)	(14.1)	(6.3)
Assumption changes	(23.8)	23.8	1.7	1.7
Other operating variance	(0.1)	0.1	(0.4)	(0.4)
Operating MCEV earnings	(17.3)	(12.9)	95.9	65.7
Economic variances	58.7	363.7	(394.5)	27.9
Other non-operating variance	9.9	14.9	3.1	27.9
Total MCEV earnings	51.4	365.6	(295.5)	121.5
Closing adjustments	—	—	—	—
Closing MCEV (MCEV as of March 31, 2015)	¥597.6	¥521.6	¥ 203.7	¥1,322.9

Notes: 1. Expected yield used for the fiscal year ended March 31, 2015 was 0.242%.
2. Assumption changes primarily indicate the impact of changes in assumptions based on experience data in mortality and morbidity rates, lapse and surrender rates, and operating expense rates. The value of existing business increased due to the improvements in mortality and morbidity rates and other factors.
3. Other operating variance represents the impact of improvements and corrections of the model used in calculating MCEV.
4. As regards economic variances, overall MCEV changes are disaggregated into a decrease of ¥11.5 billion as a result of the change in the market environment such as the decrease in interest rates and the increase in stock prices, and an increase of ¥39.4 billion as a result of the decrease in inflation rates.
5. Other non-operating variance shows the effect of the change in the accounting standard for retirement benefits, the reduction of the corporate tax rate and the change in the timing of the increase in the consumption tax rate.

7 Sensitivity Analysis

The impact of changing the underlying assumptions of MCEV is as follows:

Sensitivities

Assumption	Change in assumption	MCEV (Billions of yen)	Change in amount (Billions of yen)	Rate of change
Base	No change	¥1,322.9	¥ —	—
Interest rates	50bp decrease	1,191.1	(131.8)	(10%)
	50bp increase	1,390.5	67.6	5%
	Swap rates	1,294.7	(28.2)	(2%)
Stock / Real estate market value	10% decrease	1,302.1	(20.8)	(2%)
Stock / Real estate implied volatility	25% increase	1,302.2	(20.6)	(2%)
Interest swaption implied volatility	25% increase	1,303.4	(19.5)	(1%)
Maintenance expenses	10% decrease	1,343.8	20.9	2%
Lapse and surrender rates	x 0.9	1,321.0	(1.9)	(0%)
Mortality rates	Death protection products x 0.95	1,371.2	48.3	4%
	Third-sector and annuity products x 0.95	1,316.1	(6.8)	(1%)
Morbidity rates	x 0.95	1,367.9	45.0	3%
Required capital	Regulatory minimum	1,338.5	15.6	1%

Changes in adjusted net worth within the amount of change in MCEV are shown in the table below. Of items not specified in this table, only the value of existing business has been changed while adjusted net worth remains the same.

		Billions of yen
Interest rates	50bp decrease	¥ 545.2
	50bp increase	(484.0)
Stock / Real estate market value	10% decrease	(13.7)
Stock / Real estate implied volatility	25% increase	(0.4)

8 Main Assumptions

Sony Life has used Japanese government bond (JGB) yields and the U.S. Treasury yields as of the end of March 2015 as risk-free rates for the certainty-equivalent projections. It is assumed that forward rates in the 41st year and beyond were equal to those in the 40th year for JGB yields and forward rates in the 31st year and beyond were equal to those in the 30th year for U.S. Treasury yields. Sony Life has used Bloomberg's government bond yields as our data source. The government bond yields for key terms are as follows:

	Japanese yen		U.S. dollar	
As of the end of March,	2014	**2015**	2014	**2015**
Term				
1 year	0.08%	**0.03%**	0.11%	**0.23%**
5 year	0.20%	**0.13%**	1.72%	**1.37%**
10 year	0.64%	**0.40%**	2.72%	**1.92%**
20 year	1.50%	**1.14%**	3.37%	**2.30%**
30 year	1.70%	**1.36%**	3.56%	**2.54%**
40 year	1.78%	**1.46%**	—	—

Sony Life has not added a liquidity premium on the risk-free rate as there are no products which are considered to have reasonably predictable and illiquid cash flows and would therefore be appropriate to apply a liquidity premium.

Assumptions including mortality and morbidity rates, lapse and surrender rates, and operating expense rates, were developed based on best estimates by product as of the end of March 2015. Best-estimate assumptions are developed to reflect past and current experiences as well as expected experiences in the future. Expected future changes in assumptions should be reflected only when they are supported by sufficient reasons. Except for a deteriorating trend in morbidity rates, no other expected future changes are assumed in the best-estimate assumptions applied.

9 Opinion of Outside Specialist

Sony Life requested Milliman, Inc., an external actuarial consulting firm with expert knowledge in the area of MCEV valuations, to review the methodology, assumptions and calculations and obtained an opinion from this firm. Please refer to Sony Life's press release "Disclosure of Market Consistent Embedded Value as of March 31, 2015" (http://www.sonyfh.co.jp/index_en.html) for details.

10 Risk Amount Based on Economic Value (after Tax)

Sony Life has been disclosing the risk amount based on economic value since the end of March 2012 in an effort to provide a clearer picture of its financial soundness based on economic value. The risk amount based on economic value* refers to the total amount of Sony Life's risks, comprehensively examined and including insurance risk and market-related risk. Sony Life's risk amount based on economic value (after tax) amounted to ¥745.5 billion. The breakdown of the risk amount is as follows:

		Billions of yen
As of March 31,	2014	**2015**
Insurance risk	¥ 654.5	**¥ 724.2**
Market-related risk	240.0	**287.0**
Of which, interest rate risk *	*180.9*	***218.5***
Operational risk	26.3	**25.9**
Counter party risk	1.3	**1.8**
Variance effect	(257.8)	**(293.4)**
Risk amount based on economic value	664.3	**745.5**

**Interest rate risk is calculated as the amount before excluding the variance effect within market-related risk.*

Sony Life is making every effort to ensure its financial soundness by maintaining the risk amount based on economic value at an appropriate level relative to MCEV, which is capital based on economic value.

Note: The Solvency risk capital on an economic value basis is calibrated at VaR (99.5%) over one year and based on the internal model, which is a similar but modified model based on the EU Solvency II (QIS5) standard method.

For further details, please refer to MCEV Results for Sony Life in the Financial Data Book.
http://www.sonyfh.co.jp/en/financial_info/annualreport

Financial Data Book Contents

Please visit SFH's website to view the Financial Data Book.

Detailed financial data for each operating company is presented in a separate publication called the Financial Data Book. The Financial Data Book is available only on SFH's website.

http://www.sonyfh.co.jp/en/financial_info/annualreport

Glossary (in Alphabetical Order)

A

ALM (asset liability management)

Life *Non-life* *Banking*

- A risk management method for ensuring stable delivery of assumed interest rates through a comprehensive grasp and management of the special characteristics of assets and liabilities.
  Because the majority of life insurance company liabilities consist of policy reserves accumulated based on assumed interest rates fixed at the time of policy enrollment, a company must take this special characteristic into consideration when using ALM.

Annualized insurance premiums *Life*

- An indicator of the approximate annual premium income from existing policies, which is used as a performance indicator. Annualized insurance premiums are calculated by adjusting differences in the payment methods since insurance premiums can be paid monthly, annually, or in a lump sum, and by assuming that average payments will be made over the term of the policy.

Assumed interest rate *Life*

- Insurance companies anticipate a certain return on invested assets in advance and discount insurance premiums only by this amount. This discount rate is called the assumed interest rate.

Assumed mortality rate *Life*

- The mortality rate is the percentage of people who die in a single year for a given large population.
  The assumed mortality rate is the mortality rate used when calculating the amount of insurance premiums needed to cover future benefit payments, and represents a projection of the number of deaths by gender and age based on past statistics.

Assumed rate of expense *Life*

- In operating their businesses, insurance companies forecast their expenses, then discount their insurance premiums by that amount. That discount rate is called the assumed rate of expense.

B

Benefits *Life*

- Money paid by an insurance company to a beneficiary in the event of hospitalization, surgery, or others involving the insured.

Bonus-malus system (Non-fleet driver rating system) *Non-life*

- A system for applying discounted or additional premiums for non-fleet policyholders (owners/users of nine or fewer automobiles or motorcycles) based on their accident histories. Grades range from 1 to 20, but typically start at Grade 6. The higher the grade (large numbers), the bigger the discount rate, and the smaller the number, the smaller the discount.

C

Capital adequacy ratio *Banking*

- An indicator of whether a bank has enough capital, including common stock, versus credit risk assets (of total assets, those which could become non-performing). If a bank is unable to recover a large amount of loans, it can draw on capital and write off these loans. A sharp decrease in capital creates difficulties in bank management.
  Capital adequacy ratio regulations ensure that banks are soundly managed by keeping the capital adequacy ratio above a certain level. This ratio is therefore an important indicator to show financial soundness. For banks possessing business bases overseas, the internationally standardized regulations to preserve financial soundness are a capital adequacy ratio of over 8%, and for banks not possessing business bases overseas, in Japan a capital adequacy ratio of 4% is required.

Catastrophe reserve *Non-life*

- A type of policy reserve, under which, pursuant to the provisions of the Insurance Business Act of Japan, non-life insurance companies are required to accumulate each fiscal year as an amount calculated based on premium income to cover losses due to catastrophic events. In consideration of the special need for the non-life insurance business to cover a wide range of risks, the catastrophe reserve acts as a provision against the risk of large insurance claims resulting from earthquakes, typhoons, and other catastrophic events. It is structured to be accumulated over the course of multiple fiscal years, and reversed during the fiscal year in which a disaster occurs.

Combined ratio *Non-life*

- The sum of an insurance company's net loss ratio and net expense ratio. Indicates an insurance company's profitability in the primary business operations.

Compulsory automobile liability insurance *Non-life*

- Compulsory automobile liability insurance is legally required for all vehicles and provides protection for victims of traffic accidents resulting in injury or death. Compulsory automobile liability mutual aid is similar. With compulsory automobile liability insurance (mutual aid), indemnity payments per person per accident are capped at ¥30 million for death, ¥40 million for serious residual disability, and ¥1.2 million for injury. Benefits are not paid for vehicle or property damage.

Contingency reserve *Life* *Non-life*

- Reserve to prepare for abnormal payments in the future resulting from various factors, including insurance risk and assumed interest rate risk. Insurance companies list contingency reserve at every account closing as one component of policy reserves in the financial statements.

Core profit *Life*

- An indicator of profits (losses) in the primary insurance business over a one-year period. It is derived by subtracting from ordinary profit any profits earned from operations other than the primary insurance business, including profits from the sale of assets owned by the insurance company. Profit categories subtracted from ordinary profit include gains and losses on the sale of securities and one-time gains and losses.

D

Direct premiums written *Non-life*

- Premiums received from policyholders, calculated by subtracting direct surrender payments and other direct payments from direct premiums.

Duration *Life*

- A sensitivity index indicating the extent to which the present value of future cash flow (interest income, repayment of principal, receipt of premiums, payment of insurance benefits, dividends, etc.) from eligible assets (managed assets) and liabilities (policy liabilities) will be affected by interest rate fluctuations. While a variety of types and methods for calculating duration exist, a method expressing the weighted average maturity of the cash flow in question is relatively widely used.

E

Earned/incurred (E.I.) loss ratio

Non-life

- An indicator that represents the loss ratio incurred during the current period that takes into account the provision and reversal of reserve for outstanding losses and ordinary underwriting reserves calculated using the following formula: Earned/incurred (E.I.) loss ratio = (Net losses paid + Provision for reserve for outstanding losses + Loss adjustment expenses)/Earned premiums (excluding earthquake insurance and compulsory automobile liability insurance)

Educational endowment insurance *Life*

- An insurance policy designed to provide for the future educational expenses of children. An insurance benefit is paid out when the child reaches a prescribed age at the end of the policy period.

Endowment insurance *Life*

- Endowment insurance entitles a beneficiary to receive death or serious disability benefits upon the death or serious disability of the insured within an insurance period specified when the policy is purchased, or to receive maturity benefits upon policy maturity.

EV (embedded value) *Life*

- An indicator of the corporate value of a life insurance company. Sony Life discloses MCEV (market consistent embedded value) in conformity with the MCEV Principles. For details on MCEV, please see “MCEV Results for Sony Life” in the Financial Data Book.

Expense ratio *Non-life*

- The ratio of expenses for soliciting, maintaining, and managing insurance to insurance premiums. Used as an indicator of business efficiency at insurance companies. The ratio is normally derived by adding operating, general and administrative expenses related to insurance underwriting to net commissions and brokerage fees, and then dividing by net premiums written.

F

Family income insurance *Life*

- In the event the insured dies or becomes disabled, this insurance pays an annual or monthly benefit through policy maturation in the form of a family annuity or disability annuity.

Foreign currency-denominated insurance *Life*

- Insurance product in which insurance premiums are invested in foreign currency. Sony Life sells U.S. dollar-denominated insurance, in which policyholders pay the Japanese yen equivalent of the U.S. dollar-denominated insurance premiums and select the Japanese yen or U.S. dollar when they receive insurance claims.

G

General accounts *Life*

- Accounts for managing financial assets not included in separate accounts. This account guarantees policyholders a certain assumed interest rate, while the life insurance company bears the asset management risk.

Gross operating profit *Banking*

- The total income from the four components of banking services income: net interest income, net fees and commissions, net trading income, and net other operating income. Equivalent to gross profit (sales minus purchases) and an indicator of the amount of profits a bank generates from its main services.

I

Individual annuities *Life*

- Policyholders are eligible for receiving annuity payments from funds accumulated by paid insurance premiums at a certain age prescribed in the policy. There are a variety of types depending on the period for receiving the annuity, structure of the annuity, method for paying premiums, and death protection prior to receiving the annuity.

Individual variable annuities *Life*

- Individual annuity product in which assets are invested mainly in stocks and bonds, and annuity and surrender payments increase or decrease depending on investment returns. The individual policyholder bears the asset management risk.

Insurance Act of Japan *Life* *Non-life*

- Previously, rules concerning insurance policies were stipulated in the Insurance Chapter of the Commercial Code, which was enacted in 1899. In April 2010, the Insurance Act entered into force as a new law independent of the Commercial Code. Because no substantive amendments to rules concerning insurance policies in the Commercial Code had been made for over a century, the Insurance Act contains substantial changes from the standpoint of protecting policyholders and others. In addition, the Act has been written in language reflecting modern usage, among other revisions.

Insurance Business Act of Japan *Life* *Non-life*

- Insurance business has a public aspect, and the Insurance Business Act, as noted in Article 1, is intended to protect policyholders and contribute to the stable lives of citizens and to sound national economic development by ensuring sound and appropriate business practices and fair insurance solicitation.

Insurance claims *Life* *Non-life*

- Money paid by an insurance company to the insured upon the death or serious disability of the insured or policy maturity in the case of life insurance; upon damage caused by a compensation event according to the insurance policy in the case of non-life insurance; and upon hospitalization or surgery of the insured in the case of third-sector insurance.

Insurance premiums *Life* *Non-life*

- Money paid by policyholders to an insurance company based on the insurance policy. Even after submitting an insurance policy application, no protection or compensation is provided unless premiums are paid.

Insured *Life* *Non-life*

- A person who receives insurance protection and compensation or a person who has insurance coverage for his/her life, illness, or injury. This can be the same or different person from the policyholder.

L

Lapse and surrender rate *Life*

- Surrender refers to the cancellation of an insurance policy at some point in the future. Upon termination, the policy is surrendered, and from that point protection (or coverage, in the case of non-life insurance) is lost. On the other hand, a lapse is when a policyholder fails to pay premiums within the payment grace period, causing the policy to lapse, from which point the policy will no longer provide protection.
  The lapse and surrender rate is the ratio of lapses and surrenders to policies in force at the beginning of the fiscal year. It is calculated by adding the total of lapses and surrenders for the year in question, and then dividing by the amount of policies in force at the beginning of the fiscal year.

Limited payment *Life*

- One of the methods of premium payment in which insurance premiums are paid up prior to the expiry of the insurance term.

Living benefit insurance *Life*

- This insurance provides a lump-sum benefit payment when the insured is diagnosed with one of three major diseases (cancer, heart attack, or stroke).

Loss adjustment expenses *Non-life*

- Expenses incurred by an insurance company in examining an insured event. These include personnel and non-personnel expenses.

Loss ratio *Non-life*

- The ratio of insurance claims paid to premium income. Used in analyzing the business of an insurance company and in calculating insurance premium rates. The net loss ratio is the ratio derived by adding loss adjustment expenses to net losses paid, then dividing by net premiums written.

M

Medical insurance *Life* *Non-life*

- Medical insurance provides policyholders with hospitalization and surgical benefits in the event of hospitalization or surgery due to illness or injury.

N

Net fees and commissions *Banking*

- Fees and commissions charged for providing services. These refer to income generated by providing services, such as bank transfer fees and investment trust sales commissions, less the costs associated with providing these services.

Net interest income *Banking*

- Net interest income accounts for the largest percentage of the four income components of gross operating profit. Banks generally use the deposits received from individuals and the funds raised in interbank markets to provide loans to individuals and companies and to invest in securities. Net interest income is the difference between the total interest received from loans and other items (interest income) and the total interest paid for deposits and other items (interest expenses). Net interest income is affected by changes in interest rates (e.g., if deposit interest rates rise while loan interest rates stay at the same levels, net interest income will decrease), and by deposit and loan balances.

Net other operating income *Banking*

- Net other operating income is derived from services other than the primary banking services income categories of net interest income, net fees and commissions, and net trading income. One example is buying and selling in dollars and other foreign currencies. In this case, after purchasing foreign currency at a certain price, any gain from a subsequent sale at a price higher than the purchase price would be recorded in other operating income, and any loss from a subsequent sale at a price lower than the purchase price would be recorded in other operating expenses.

Net premiums written *Non-life*

- Premiums received directly from policyholders (direct premiums written), adjusting for reinsurance premiums (subtracting direct reinsurance premiums paid and adding direct reinsurance premiums received), and subtracting deposits of premiums.

Non-performing assets
Life *Non-life* *Banking*

- Non-performing assets are claims against parties in bankruptcy, claims against parties in effective bankruptcy due to poor business or other reasons, and claims against parties at risk of bankruptcy. Non-performing assets also include loans for which principal or interest payments are past due by three months or more, and loans for which repayment on initial terms is impossible and interest has been reduced or exempted and the repayment of principal has been extended.

O

Over-the-counter (OTC) sales of insurance products at banks
Life *Non-life* *Banking*

- A bank serves as an insurance agency to solicit insurance. There were previously restrictions on what products could be sold, but these restrictions were abolished in December 2007, and banks can now sell a variety of insurance products.

P

Policy amount in force *Life*

- Total amount of protection provided by life insurance companies to individual policyholders. This is different from the total amount of premiums paid by policyholders (premium income).

Policy reserves *Life*
(Underwriting reserves) *Non-life*

- Reserves that insurance companies accumulate in advance, funded by premiums, investment income, and other sources, to prepare for future liabilities resulting from insurance policies, including payments of claims, annuities, and benefits. Policy reserves include ordinary policy reserves, catastrophe reserve, contingency reserve, refund reserve, and reserve for policyholders' dividends.

Policy reserves and others *Life*
(Underwriting reserves) *Non-life*

- Reserves recorded in the liabilities section of the balance sheets for which insurance companies are required in the Insurance Business Act of Japan to accumulate to prepare for the payment of future claims and other items to fulfill their obligations for paying claims and other actions based on insurance policies. Policy reserves and others include reserve for outstanding claims, policy reserves, and reserve for policyholders' dividends.

Policy reserve discount rate *Life*

- The policy reserve discount rate is the calculating rate insurance companies are required to use when accumulating policy reserves for future insurance payments. A lowering of the rate means that the amount of the policy reserves insurance companies must accumulate will increase. Since the source of funds for the policy reserves is primarily insurance premiums, the premium rate may be revised as necessary in line with revision to the policy reserve discount rate. The policy reserve discount rate applied to policies from April 2013 is 1.0%, half a percentage point lower than the previous 1.5%.

Policyholder *Life* *Non-life*

- A person who signs up for an insurance policy with an insurance company and has various rights (e.g., request of changes in the policy details) and obligations (e.g., payment of premiums) based on the policy.

Policyholder loans *Life*

- Loans provided up to a certain level of the surrender payment on life insurance policies. In general, policyholders retain insurance protection and rights to receive dividends during the period of the policyholder loan. However, policyholder loans may not be available depending on the type of insurance.

Policyholders' dividend reserve *Life*

- A reserve accumulated to fund dividend payments to policyholders pursuant to the provisions of the Insurance Business Act of Japan.

Positive spread *Life*

- The amount by which the actual investment income is higher than the expected investment income from the assumed interest rate.

R

Reinsurance *Life* *Non-life*

- The insurance agreement that insurance companies conclude with domestic and overseas reinsurance companies for some of the insurance policies they underwrite, mainly large ones, in order to diversify risks on insurance policies.

Reserve for outstanding claims *Life* (Reserve for outstanding losses) *Non-life*

- Reserve for the estimated amount of unfixed insurance payments and unpaid insurance claims at the end of the fiscal year, among payment obligations for insurance claims, surrender value, and other benefits.

Reserve for price fluctuations *Life* *Non-life*

- This reserve is set aside to prepare for losses caused by price fluctuations in stocks, bonds and other assets held by an insurance company.

Riders *Life* *Non-life*

- Riders can enlarge the scope of protection in the primary policy by adding provisions to the primary coverage. Riders do not constitute a policy by themselves. Multiple riders can be added to the primary policy. Riders are canceled when the primary policy is canceled due to maturity, surrender, or other reasons.

Risk segmented automobile insurance *Non-life*

- Automobile insurance that segments the risk factors on which insurance premium calculations are based. The provisions of Insurance Business Act of Japan recognize nine risk segment categories: age, sex, driving history, purpose of use, conditions of use, region, vehicle model, presence of safety equipment, and number of vehicles owned.

ROEV (return on embedded value) *Life*

- ROEV is an indicator that refers to the growth potential of corporate value. The amount of increase of EV (embedded value), an indicator of a life insurance company's corporate value, is deemed to be profit that takes into account the unique aspects of life insurance accounting.
  Core ROEV is the growth rate of EV which excludes any fluctuation effects of the investment yield and discounted rate.

S

Separate accounts *Life*

- Separate accounts are used for variable life insurance, variable annuities, and other insurance products to invest assets separately from the other financial assets owned by an insurance company in order to pay investment returns directly to policyholders.

Solvency margin *Life* *Non-life*

- The solvency margin indicates payment ability. Insurance companies accumulate policy reserves to prepare for the payment of future claims, allowing them to adequately respond to risks within a normally anticipated range. However, unforeseen events can occur, including major disasters and substantial declines in stock prices. The solvency margin ratio is one measure used by regulatory authorities to determine whether an insurance company has the ability to pay in response to the risk of such unpredictable events. If this ratio falls below 200%, the Financial Services Agency of Japan will take steps to quickly restore financial soundness. New standards were applied beginning at the end of fiscal 2011, with stricter solvency margin standards and stricter and more elaborate standards for measuring risk.

Surrender payments *Life* *Non-life*

- Money refunded to the policyholder in the event that the insurance policy is surrendered or cancelled. Surrender payment amounts vary depending on several factors, including the type of insurance, insurance period, and years elapsed.

T

Term insurance *Life*

- Term insurance entitles a beneficiary to receive benefits in the event of death or serious disability of the insured within an insurance period specified when the policy is purchased.

Third-sector insurance *Life* *Non-life*

- Third-sector insurance refers to insurance positioned between life insurance (first sector) and non-life insurance (second sector). It encompasses a variety of types of insurance, including medical insurance, cancer insurance, nursing care insurance, and personal accident insurance. Regulatory easing has allowed both life and non-life insurance companies to handle all third-sector insurance products from July 2001.

U

Underwriting profit *Non-life*

- Underwriting profit is calculated by subtracting any underwriting expenses (net losses paid and loss adjustment expenses, etc.) and operating, general and administrative expenses associated with underwriting from under writing income (net premiums written, etc.) then adding or subtracting other income and expenses (corporate taxes associated with compulsory automobile liability insurance, etc.).

V

Variable life insurance *Life*

- Insurance product in which assets are invested mainly in stocks and bonds, and claims and surrender payments increase or decrease depending on investment returns. The individual policyholder bears the asset management risk. The minimum insurance payment is guaranteed, regardless of investment performance.

W

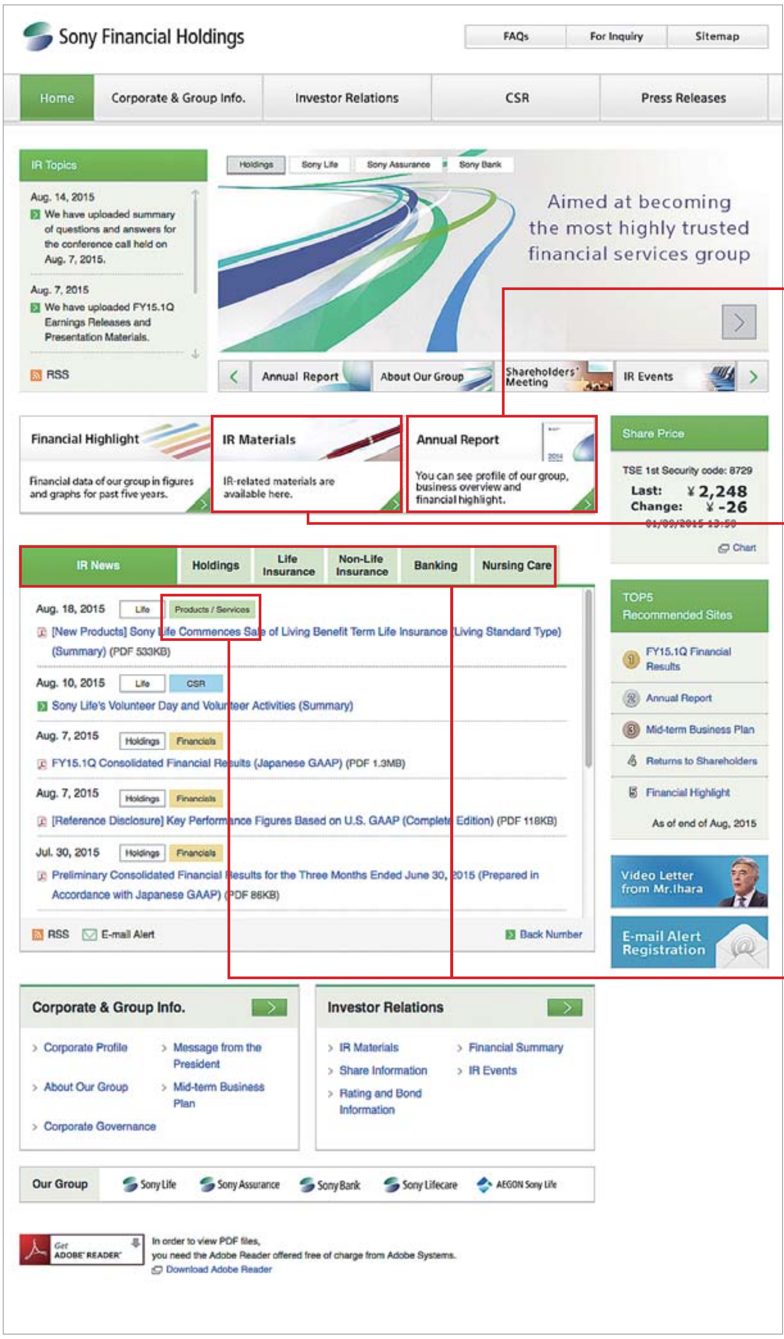
Whole life insurance *Life*

- Insurance that pays benefits in the event the insured dies or is disabled. Unlike term life insurance, protection continues for entire life.

SFH's Website Information

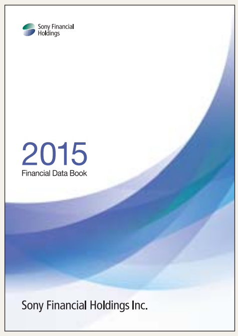
SFH uses its website to provide timely disclosure and promote a better understanding of the Sony Financial Group.

http://www.sonyfh.co.jp/index_en.html



Financial Data Book

The Financial Data Book is available only on SFH's website.



IR-related materials, such as earnings releases and presentation materials, are available for viewing or downloading.

Press releases are sorted into SFH and four business segments. Headings make it easy to determine the content of each press release.

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